ChevronTexaco Transition from a supply-driven to a demand-driven production strategy

To transition from a supply-driven to a demand-driven production strategy, ChevronTexaco improved the reliability of demand data by integrating disparate systems, collecting up-to-date data, and introducing new supply chain applications.

The company invested $15 million in supply chain technology, including proprietary systems that capture real-time data, as well as advanced planning systems and an SAP implementation. ChevronTexaco's load planning software receives information from points of sale via satellite to minimize the number of deliveries while avoiding runouts and retains. The demand forecasting system and scheduling system, from Aspentech, plans the next five deliveries, updating schedules as the systems receive new information. Refining, marketing, and logistics departments use the demand data captured at Chevron filling stations, airlines, and trucking companies, to plan refinery loads, time spot market purchases, and schedule refill deliveries. In the first year of implementation, Chevron's profits increased from $290 million to $662 million on the same refining capacity and number of retail store (Worthen, 2002).

Companies can learn from this example, and implement a demand-driven production strategy. Purchasing Software that improves the operations of the existing components of the supply chain without necessarily focusing on its existing capacity.

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