Demand planning and Forecasting:
Planning is gaining in SCM
Introduction

Everything starts at planning the Demand

Plan Demand for SCM

Challenges in Demand planning
  → Accuracy
  → Strategy
  → Implementation
  → Right tools
  → Timing
  → Channels

Benefits

Fundamentals of Demand Planning
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  → Past demand
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Gartner’s list of top 10 supply chain management solution providers
Introduction

Ever changing customer demands are volatile to deal with. When you can actually forecast it, it becomes infinitely more difficult. In a supply chain scenario, demand planning and forecasting is the adhesive that helps keep the business together from warehouse to retail stores. Will your customer pay heed to your awesome grocery plans or would just head to the trendiest outfits first? Most of all are you prepared for their decision? These questions can be answered through demand planning and forecasting, making it easier for you to deliver while cutting down on supply chain cost. Demand planning in supply chain management has been around for quite some time, but the last few years have seen a boost in implementation of demand planning software in SCM. According to a study by Gartner, with 10.8 percent annual growth, SCM and procurement applications outpaced most software markets to total $9.9 billion in 2014.

Everything starts at planning the Demand

Why would you implement demand planning? Since everything has been going so well following the traditional systems? But, have they really? Hasn’t there been occasion which made you doubt the traditional system? Like the season when you stocked up on faded jeans and the crowd went gaga over dark slim fit denims? From the suppliers to manufacturers and ultimately the retail stores, working in silos have never given them a complete scenario of what the end customer expectations would really be, leading to “out of stock products” or “over stocked” with items that are not in demand ending in customer disappointment and revenue loss.

A supply chain manager has to understand and delve deep into the necessities of demand planning. Starting from the suppliers of raw materials, manufacturers for products, warehouse, wholesalers or distributors to the retail stores, the system rests upon his management. Working on the demand workbench, deciding the demand drivers for a particular product at a particular time, finding insights from historical and current demand all falls under his responsibility.

In a make-to-stock environment, we cannot wait until the demand starts flowing in to start producing. The key to success lies in being ready.

Plan Demand for SCM

The goal of any supply chain is to deliver the best for its customers. No matter where they are, which channel they use and when they purchase. Seamless demand planning across platforms is the need of the hour to keep customers loyal. Being able to detect changes in demand on various channels and stocking up accordingly is the new challenge. Take advantage of the changes and fluctuations in demand. Instead of being adversely affected by it, make sure it reaps benefits for you by simply being ready.

Companies need a more comprehensive forecast framework as they grow, forecasting and demand planning become integral part of other processes culminating in an end-to-end process called demand management. Demand planning is the base of promotional planning and pricing.

Leveraging the best of breed technology strategy companies can get new insights into business processes like the customer relationship management and supplier relationship management which form the critical linkages in the supply chain.

Anticipation of customer demands is what drives the push and pull in supply chains. Right tools and partners would help you to get the best out of every season and change in demand. Supply chain management partners nowadays are providing tailored solutions to get the best advantage of demand planning and forecasting according to industry. Using the best in class technology,
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Businesses are able to lessen the gap between forecast accuracy percentage and inaccuracy percentage, compared to the other solutions in the market by getting the competitive advantage. Ensure that the best possible estimate of customer demand is at hand while reducing on costs like inventory, distribution, over stock products.

Retailers like Shopper’s Stop, Mass discounters have applied demand planning and forecasting tools to drive revenue and customer satisfaction.

Challenges in Demand Planning

**Timing**

Sales and demand are heavily time dependent. Sales fluctuation at different time of the year is one of the hardest challenges for good forecasting and demand planning initiatives.

**Channels**

In view of Omni channel demand planning, forecast needs to cater to different demands of different customer segments buying from various channels. Some products might be selling well online but not selling accordingly from brick and mortar. Planning demand accordingly would help keep up inventories and plan promotions for various products on different channels.

Benefits

1. Improved in-stock availability-All season ready stock
2. Better view of demand swings helps in building effective marketing strategies.
3. Cohesive, seamless relationship between all tiers of supply chain, leading to greater visibility of processes.
4. Better revenue.
5. Lesser wastage of stock.
7. Preplanned flexibility to adapt to regular market changes.
8. Better assortment and allocation across all stores and channels.
9. Improved productivity of planners across all tiers of supply chain.

Fundamentals of Demand Planning

**Time**

Time is of essence when it comes to planning demand. Along with changing seasonal demands, weather, media activity, social and religious factors also contribute to market fluctuations. What is affecting the market at that time is a key determining factor of demand planning.
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⚠️ Past demand
Has the locality been buying same sorts of stuff every winter? Has the demand for a particular cola risen consistently? Has the sales gone down for a soap? Based on historical data your future demand should be planned. It helps in deciding whether or not to stock up on a particular product, buy more or less of some products thus cutting down on inventory waste.

🔍 Competitor activity
Your competitors' marketing activity will have an effect on your demand planning. Have they devised a seasonal offer? Have they optimized pricing for a product? These are surely going to influence your demand planning.

💡 Marketing efforts
Your own marketing efforts and how they are performing. If your marketing strategy for a particular product has been doing well, then it is expected that the demand for that product would be higher than others.

etxt Pricing
Buy one get one free, buy at 50% off and other such price optimizing offers are major demand drivers. Keep these in mind while planning demand.

Gartner's list of top 10 supply chain management solution providers

Effective demand planning and forecasting is the key to driving business growth and customer satisfaction. Your demand planning reflects how closely you know your customers and their expectations. Demand planning and forecasting tools that can be easily integrated into existing SCM and provide dependable feedback have become a necessity to cohesive, successful SCM environment. Finding and adding the right demand planning and forecasting tool can form the next big step for your collaborative business strategy. Forecasting and demand planning is a practice which not only strengthens the bond between various segments of the supply chain but also between the supply chain and the end customer.
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