



Demand planning and Forecasting: Planning is gaining in SCM

Practice Head:
Sunil Bajaj
sunil.bajaj@aspire.sys.com

Author:
Shreyasee Ghosh
Research Analyst

Aspire Systems Consulting PTE Ltd.
60, Paya Lebar Road, No.08-43,
Paya Lebar Square, Singapore – 409 051.

aspire 
SYSTEMS
attention. always.

C O N T E N T S

- 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
 - Time
 - Past demand
 - Competitor activity
 - Marketing efforts
 - Pricing
- Gartner's list of top 10 supply chain management solution providers

Demand planning and Forecasting: Planning is gaining in SCM

Introduction

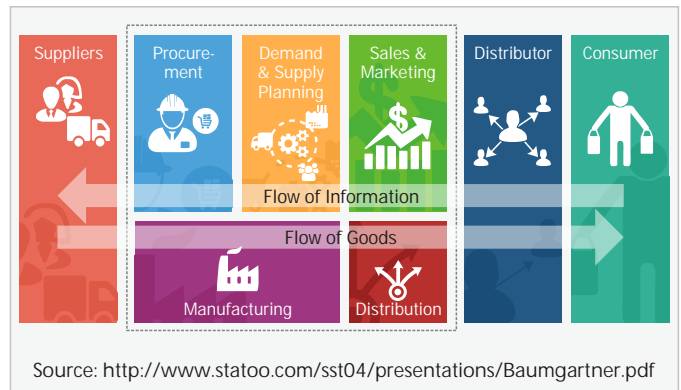
Ever changing customer demands are volatile to deal with. When you can actually forecast it, it becomes infinitely more difficult. In a supply chain scenario, demand planning and forecasting is the adhesive that helps keep the business together from warehouse to retail stores. Will your customer pay 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,

Demand planning and Forecasting: Planning is gaining in SCM

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

➔ Accuracy

An anonymous quote sums it up rightly "forecasting is the art of saying what will happen and then explaining why it didn't." Even for best of breed products in the market the accuracy level would be 80%. Forecasting can never be 100% accurate and that is the truth. But the right tools can give you higher chances of accuracy whereas others may fail expectations.

➔ Strategy

Faster or better? Depends on your strategy, at the same time it would be the strategy which will decide the fate of your demand planning. Rather than going for fast but not accurate enough, better to stick to slow but steady.

➔ Implementation

What makes demand planning tough is that there is no one size fits all scenario, every industry, every company, every product has a different demand, that too changeable with time and market.

➔ Right tools

Though there are endless numbers of vendors offering same services, yet finding the right tool that suits your basic needs as a supply chain can be tough. For example, the demand planning and forecasting tool for a chocolate supply chain would differ greatly from that of an ice cream supply chain. For these two supply chains, not only the raw materials but seasonal market fluctuations vary a lot differently.

➔ 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.
6. Lesser out of stock scenario.
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.

Demand planning and Forecasting: Planning is gaining in SCM

➔ 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.

➔ 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.

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.

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

<https://www.gartner.com/doc/3187427/magic-quadrant-supply-chain-planning>

Demand planning and Forecasting: Planning is gaining in SCM

References

- <https://www.jda.com/knowledge-center/collateral/massdiscounters-case-study>
- <https://www.jda.com/knowledge-center/collateral/retail-planning-is-dead-white-paper>
- <http://www.gartner.com/newsroom/id/3050617>
- <http://www.statoo.com/sst04/presentations/Baumgartner.pdf>
- <http://www.slideshare.net/wimmba/demand-forecasting-in-supply-chain-management>
- <http://www.demandsolutions.com/resource-center/white-papers/>
- <http://sapassets.edgesuite.net/sapcom/docs/2015/03/7e01dbd4-217c-0010-82c7-eda71af511fa.pdf>
- <http://www.igd.com/Research/Supply-chain/Demand-planning--forecasting/>
- <https://ibf.org/events/online2016-spring/>
- http://www.supplychain247.com/article/a_practitioners_guide_to_demand_planning
- <http://www.data-profits.com/resources/blog/differences-between-demand-forecasting-and-sales-forecasting-for-inventory-replenishment/>
- <https://www.pwc.com/us/en/operations-management/assets/demand-planning.pdf>
- <http://www.industryweek.com/companies-amp-executives/top-10-demand-planning-strategies>
- <http://blueridgeglobal.com/gartner-supply-chain-planning-magic-quadrant-2016-report/>
- <http://www.gartner.com/newsroom/id/2138416>
- <http://www.supplychainbrain.com/content/blogs/think-tank/blog/article/what-it-takes-to-be-a-great-demand-planner/>
- <https://www.gartner.com/doc/3187427/magic-quadrant-supply-chain-planning>



Aspire Systems is a global technology service firm serving as a trusted technology partner for its customers. The company works with some of the world's most innovative enterprises and independent software vendors, helping them leverage technology and outsourcing in Aspire's specific areas of expertise. Aspire System's services include Product Engineering, Enterprise Solutions, Independent Testing Services, Oracle Application Services and IT infrastructure & Application Support Services. The company currently has over 1,600 employees and over 100 customers globally. The company has a growing presence in the US, UK, Middle East, Europe and Singapore. For the seventh time in a row, Aspire has been selected as one of India's "Best Companies to Work For" by the the Great Place to Work® Institute, in partnership with The Economic Times.

SINGAPORE
+65 3163 3050

NORTH AMERICA
+1 630 368 0970

EUROPE
+44 203 170 6115

INDIA
+91 44 6740 4000

MIDDLE EAST
+971 50 658 8831

For more info contact
info@aspire.com or visit www.aspiresys.com

