

5 Problems With Today's Demand Planning & How to Solve Them

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With the coronavirus pandemic and its lingering effects, companies have now experienced how challenging it can be to plan and maneuver their supply chains around uniquely disruptive, once-in-a-lifetime events. But the unfortunate truth is that less severe events overwhelm or undermine supply planning all the time. Legacy tools are no longer up to the task of getting supply where it is needed most.

To achieve fast and accurate demand planning in the year ahead, businesses have to overcome these five problem areas.

1 Irrelevant data.

Sudden changes in demand have been causing supply-chain pain way before COVID-19 hit. Companies using static tools to generate forecasts — such as spreadsheets or legacy enterprise resource planning (ERP) systems — struggle to respond to these events. These decades-old systems rely primarily on historical data, and that's not going to be the most relevant information to understand the future when unforeseen events intervene. When a demand shock happens, the forecast becomes useless and the company is stuck with shortages or gluts of inventory.

Forecasts are never 100% precise, but they can be made more accurate if a company has the capabilities to manage and understand current data in real time. Historical data is not enough; you need to be up to speed on all factors influencing supply and demand — including market changes, natural disasters, geopolitical events, and unforeseen accidents, such as an industrial plant fire or other disruptive business continuity events. Effective demand-planning and forecasting software uses analytics and real-time insights to enable companies to react quicker and streamline sourcing and production planning.

2 Siloed processes.

Rapid and sudden socioeconomic shifts often disrupt global supply chains and markets, sometimes forcing businesses to shift their operating models and revise their sourcing strategies. Events outside an enterprise's control underscore the critical importance of accurate and timely forecasting and demand planning.

Spreadsheets may have worked well enough in the past, but their rigidity does not provide the kind of deep and robust process required in a volatile world. Pandemic-related disruptions have highlighted the gaps in these processes. Plus, the inadequacy of the siloed approach makes it impossible to forecast demand accurately.

3 Old-school analytics.

Demand sensing requires the analysis of massive volumes of data. That's next to impossible if you're using legacy ERP systems designed in the 1990s and early 2000s on mainframe and desktop platforms. When data reaches a certain scale, all of these tools break down very quickly. The capabilities of the human brain, while impressive, are also not built to analyze and make sense of huge data sets.

The availability of data has exploded in recent years — and now must be analyzed to achieve meaningful insights for demand planning. Technology solutions such as cloud-based systems have stepped into the breach to

handle big data. These modern technologies are not inhibited by the task of analyzing mountains of data; on the contrary, they were built to do just that.

4 Poorly planned product introductions.

Product life cycles have grown shorter and harder to predict, presenting fresh challenges to demand-planning and forecasting processes. New product introductions remain a challenge because they lack a historical baseline, which can easily lead to missteps in demand forecasting and production planning.

Other product introductions may involve variations on older versions, such as technology upgrades and new colors or flavors, or strategies seeking to inject existing products into new markets. An effective demand-planning and forecasting system can survey data across existing product lines to find analogous trends that inform a baseline. Once the initial forecast is developed, these advanced tools layer in demand sensing to improve the forecast.

5 Off-key algorithms.

Forecasts that appear to be out of line with the developing reality require tuning to improve their accuracy. Older systems that employ static algorithms make this difficult. Personnel at companies using legacy demand-planning solutions usually don't have the background required to make sophisticated adjustments to forecasting methodologies.

Modern demand-planning and forecasting systems incorporate artificial intelligence and machine learning to allow system algorithms to be tweaked dynamically. They also allow users to get under the hood of the solution to rework forecasting models and modify data input — all of which helps improve forecasts going forward.

How GEP's Demand-Planning Solution Can Help

GEP, with customers among Fortune 500 and Global 2000 enterprises worldwide, provides supply-chain solutions that help enterprises become more agile and resilient, operate more efficiently and effectively, gain competitive advantage, boost profitability and increase shareholder value. GEP's cloud-native demand-planning product, powered by cutting-edge AI and machine learning capabilities, combines real-time data from internet-of-things (IoT) sensors with external news, social media and market data feeds to allow supply-chain leaders to take immediate and proactive measures.

The year of the pandemic has spotlighted the requirement that companies respond quickly to changing circumstances. "The whole concept of 'normal' should be thrown out the door," says Barnali Mukherjee, Senior Director of Supply Chain Solutions, at GEP. "COVID-19 is one big example, but we have to embrace the fact that things are never normal in supply chains."

The growth of social media has contributed to spikes in demand that companies need to respond to if they are to capitalize on them. "We have seen huge spikes and shifts in demand for products based on social media mentions," says Mukherjee. "It's like what we used to see when products were promoted on Oprah or The Today Show." In such a world, basing forecasts solely on old sales records isn't going to cut it. "But when you add real-time data, you can react faster by putting inventory in the right place," Mukherjee says.

She adds: "Simply put, forecasting is both an art and a science. Our tools help you to understand what is relevant now and in the near future with better forecasts."

For more information: www.gep.com