

hawkeye planner



WHY IS DEMAND PLANNING IMPORTANT?

Practically every company in the world performs some type of sales forecasting. However, Demand Planning includes a broader scope beyond sales to include risk/opportunity assessment, demand stimulation, and performance tracking. Demand Planning is important for five key reasons:

1. Checks top-line revenue and bottom-line profit estimates to meet target

The foremost goal for companies is to hit a revenue target specified in an Annual Operating Plan (AOP). By creating a monthly Demand Plan, management can assess progress against the AOP and drive their team to meet this plan. If the Demand Plan will fall short of the AOP, then the business may decide to adjust expenses to meet bottom line profitability.

2. Focuses Sales and Marketing activities to increase revenue

The process of demand planning includes the projection of product and market trends, seasonality, price, promotions, key customer activity, and other factors to determine sales volume. By performing this rigorous analysis, the Sales and Marketing teams should have a clear picture of the market dynamics affecting their sales and can focus their activities to maximize revenue.

3. Provides superior customer service

Having a clear picture of what products are needed when for which customer means that the supply chain function can insure high product availability to customers. By tracking error the team can understand the variability of demand, helping the supply chain can reduce delivery failures through methods such as inventory buffers and responsive production.

4. Reduces operational costs

With perfectly understood demand, the supply chain could ideally run at optimal efficiency for material, production, and logistics costs. Supplier

charges, production overtime and downtime, excess and obsolete inventory, and expedited movements that are wasted costs could potentially be avoided.

5. Manages innovation

New product and service offerings present the biggest opportunities for business—and the most challenges. Demand Planning must make special efforts to understand future demand of products for which there is no history. By grounding innovative demand plans to facts where possible and by using educated assumptions where available, directional accuracy can be achieved. Demand planning must understand possible scenarios and demand ranges so that the business team can evaluate risk and prepare for it.