

hawkeye planner



WHY IS DISTRIBUTION PLANNING IMPORTANT?

Some supply chain managers utilize a complicated distribution network and some don't. But even if product ships directly to customers from a plant site, a company still needs to perform Distribution Planning (DRP). This process is important for four key outputs.

1. Convert a Demand Plan into a Production Plan

A production plan is rarely the exact same as the demand plan in timing or quantity for any given item. Distribution Planning makes a link between the two. Time-phased inventory targets and lead times must be used. Existing inventory is an input to the planning and for each time period at each point in the network, Distribution Planning tries to match inventory levels to target. The result is supply requirements: whether as replenishment to the warehouse or production at the site.

2. Develop inventory projections

Without a Distribution Plan, future inventory projections are little more than a guesstimate. Questions arise: Will demand drive low inventories in the short term? Will a pre-build situation drive high inventories in the longer term? If everything is running fine, what level of inventory (including on-hand and intransit) should be expected? DRP, integrated with other planning, should give the answer. Consequently, this inventory projection is crucial for cash flow management as well as general supply chain decisions.

3. Develop logistics projections

A time-phased distribution plan clearly shows material holding and material movement for any given period. Transportation planned usage can be pulled by lane and mode. Warehousing planned usage can be calculated from expected on hand inventory by location.

4. Deploy product for future demand

Just as a production plan is converted into a schedule, a Distribution Plan is converted into deployment. For the short term, a comprehensive and well-established Distribution Plan can be executed to book transportation in advance and utilize low cost carriers.