Is Demand Planning the Most Misunderstood and Unappreciated Application, Ever?

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Analyst Insight: The greatest gap between performance and satisfaction of supply chain applications is in the area of demand planning. The reasons are many, but many are rooted in organizational and processes issues causing many people to throw in the towel too early. – Lora Cecere, Founder of Supply Chain Insights

Demand volatility is increasing, and for many the implementation of a demand planning system might sound like the right answer. If this is you, I would urge caution. The reason why is simple. Demand planning is implemented in 85 percent of companies greater than $500m, and usually the answer is not a new system, but learning how to use the current system that is installed. The issues are many but there are five likely root issues: a badly installed initial implementation, the lack of annual tuning of the algorithms, poor planning master data, turnover of employees, and the lack of understanding of the executive team on how to manage a demand management process. Getting good at demand planning requires constant attention with skilled resources. It also requires learning how to use the output. The experienced demand planner knows that it is not the accuracy of the absolute number, but the probability of demand that is important

The demand planning role has changed greatly in the last decade. It is no longer an entry level job with entry level pay. Instead, it requires deep analytical skills and a progressive career path. People that are good at demand planning understand the market and how to use analytics. It is not something that can be effectively modeled on a spreadsheet. The average company has two demand planning instances and plans on a monthly basis. Today, there is a talent shortage. There are more open positions than there are demand planners with many companies searching four to five months to fill a position

Many of the demand planning systems suffer from a lack of a good implementation. In fact, there is greater variety in how demand planning systems are implemented than the demand planning technologies themselves
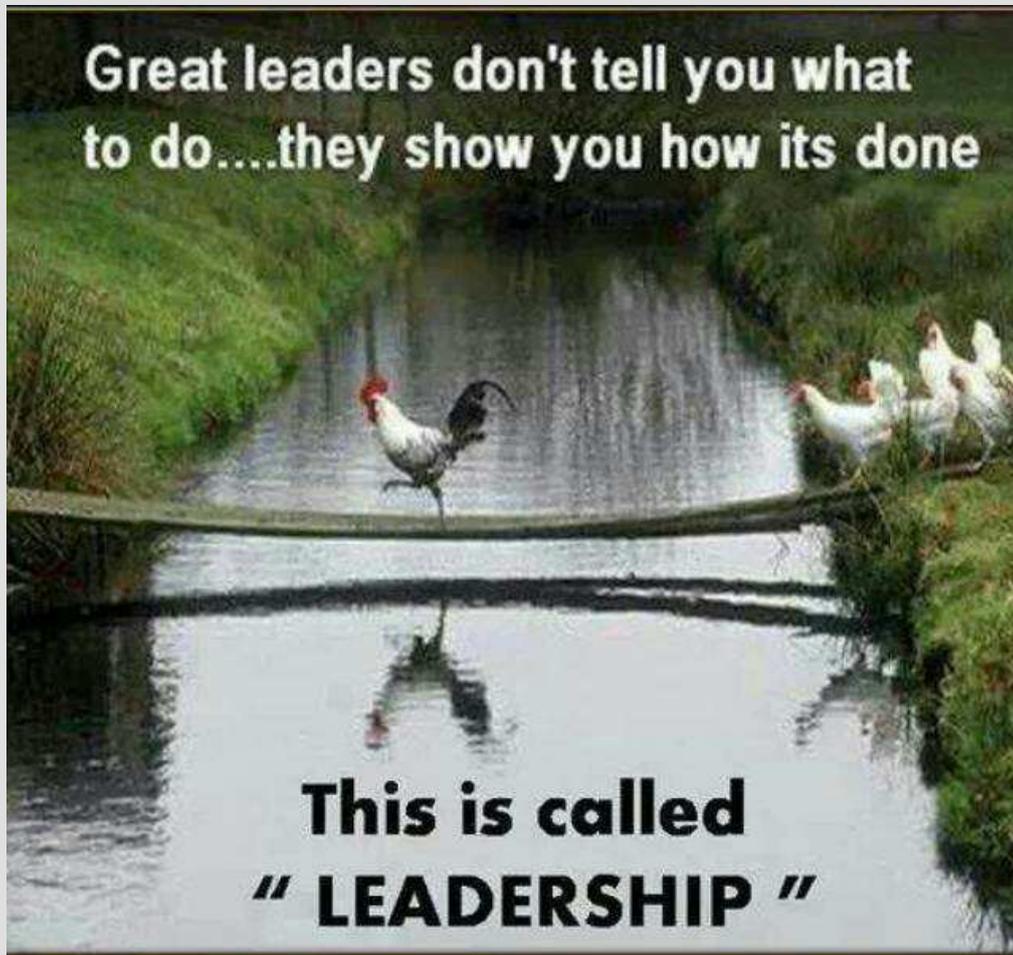
The market has consolidated and the differences between the technologies is smaller now than a decade ago. As a result, most companies struggle to tell the difference between demand planning systems after a long and lengthy evaluation process. So, as you talk about the gap in demand satisfaction, ask yourself if you could be the problem

Augmenting traditional demand planning solutions are the newer technologies of demand sensing and demand translation. Demand sensing (the replacement of rules-based-consumption logic with statistics) is currently deployed at 30 companies worldwide. The concepts are still evolving, but the average return on investment is high with an 11- to 13-percent inventory reduction and a 20- to 30-percent improvement in distribution center accuracy

The Outlook

Demand planning technologies are often over-hyped and poorly implemented. Most of the time, it is more

important to get the organization right to drive success than select the perfect technology. Most companies focus a long time on the selection and don't spend enough time working through the career path issues and training for employees. If this gap is closed, more companies would be happier with demand planning solutions