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Supply Chain Digest's Dan Gilmore recently spoke with David Johnston, Sr. Vice President of Manufacturing and Wholesale for JDA Software, on several themes related to Demand Planning. The Q&A below is excerpted from a video discussion on this topic, **which can be viewed at SCDigest's** Demand Planning resources page: www.scdigest.com/demand_planning.php.

There, you will also find a copy of the recent SCDigest Letter on Demand Planning.

Gilmore: Let's take a couple of key areas of demand planning, starting with the consumer goods industry and data. While POS data has been available for a number of years, relatively few companies have really leveraged that data. Why is that, and is that changing?

Johnston: **That's a great question. I** think there was a rush to just consume the data when it was made available without a good plan around what kind of value that data could provide. There were a lot of failed projects because there was no plan in place.

The other barrier was that there just **wasn't the technology available that could scale from a manufacturer's** perspective to take that data and truly integrate it back into demand planning systems and use it to make a better forecast.

That has clearly changed. Now you have the ability to take POS sales data and manage it at the right level of detail to get an early read on the

Using Demand Planning To Get Closer to Building a Demand-Driven Supply Chain

SCDigest Editorial Staff

trends in the market and then compare that against the shipment plan that you have in place to drive your supply chain.

Gilmore: What other changes are you seeing in demand planning?

Johnston: The other part of the process that has changed is this focus on consensus demand planning. What that means is that you now have to get traditional supply chain planners synchronized with account teams. **They are the closest to what's** happening in the field and the programs that are being run for trade funds spending - the programs that are going to be the drivers of demand.

With the integration of POS sales data and making that data available, the demand planning process becomes less of a forecast based on what happened in the past and more of a focused pre- **diction of what's going to change** moving forward. That POS sales data provides critical insights the **account and sales teams didn't** have before.

Gilmore: Is that what we really mean with this term **that's been out there quite a bit lately called "demand sensing?"**

Johnston: **That's part of it, but** not all of it. Demand sensing is certainly about providing more of an automated statistical view of

how you can leverage the most current understanding of demand. So, for instance, if I know this week what my ordering trend looks like next week given my lead times, I can use that visibility to change a short term forecast based on the understanding of that portion of the demand.

Gilmore: OK, that's the view from the consumer goods side. What's happening in retail with regards to demand planning?

Johnston: Retailers are increasingly focused on what is selling at the shelf, and as such have been focused on what I would call "optimization of replenishment execution." They are looking to put in place the most cost-effective replenishment strategies. They are also trying to answer questions such as how do they best leverage favorable pricing brackets, and how order plans can optimize logistics costs.

Retailers are also looking to ensure that order forecasts account for promotions, new product introductions into specific markets, resets, assortments, and other factors in a more comprehensive way than they have in the past.

Retailers are making investments now into the technology solutions required to get to a time-phased view of orders, very similar to what manufacturers have been doing for years. Again, a barrier has been software scalability. There have been very few products that can scale to the volumes required in retail to provide a time-phased view of order projections that can take into account all the different variables that drive those forecasts - promotions, new product reductions, resets, store openings, stores closings, etc.
A lot of retailers are making strides toward having a time-phased view of order projections. They are now go-

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ing to be in a position to provide not just POS sales data, but to actually provide that forward looking view into the orders that can truly complement and supplement the shipment forecasts that manufacturers have today down at the consumer level.

Gilmore: Yes, and I think part of it is the technology as you said, and part of it is that you are seeing a lot of retailers that are evolving from being almost primarily merchants to also being supply chain focused companies.

Johnston: Yes. If you look at the retail channel masters, without using any names, those re-

tailers have grown to the size and scale to have a competitive advantage in supply chain. Now **it's those same companies that** are moving to the next level.

What do you think key demand planning trends are? What would you add to Johnston's comments? Let us know your thoughts at the Feedback button below.

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