



INTELLIGENT DEMAND PLANNING FOR THE FOOD AND BEVERAGE INDUSTRY

KEY QUESTIONS:

1

How does demand planning enable more accurate seasonality forecasts?

2

How does demand planning generate relevant historical data for new products?

3

How does collaboration impact your business' ability to generate forecasts?

IFS WHITE PAPER

Mike Lorbiecki, Vice President Sales and Karin Rainesalo, Business Solution Consultant, IFS, June 2017



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In an industry known for fierce competition, razor-thin profit margins, perishable products and government regulations, the food and beverage industry relies heavily on a resilient supply chain with intelligent demand planning capabilities. Is your supply chain prepared for what's next?

Demand planning is about better placing products. It is about placing the right product, at the right place, at the right time, in the right quantity. Demand planning enables companies to accomplish this business objective in an organized fashion and provides the opportunity to capitalize on additional sales through utilization of historical data. An ERP solution with supply chain visibility, intelligent demand planning and quality control is incremental value add to any business. Many businesses are already using demand planning, but not as effectively as they could be. Traditional ERP systems separate the different processes in the supply chain, meaning full visibility of all business operations isn't always available, but other innovative ERP solutions are able to provide a full view so supply chain can be harnessed holistically.



BENEFITS OF DEMAND PLANNING

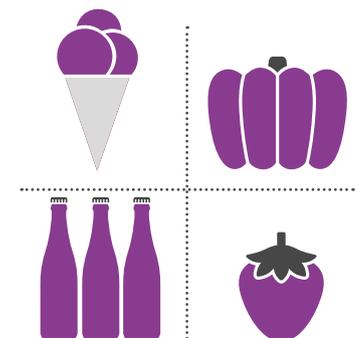
Taking a proactive approach to address the future of your business' supply chain results in fewer surprises, shortages and unnecessary spending. An ERP solution with full support for intelligent demand planning functionality, as well as production and procurement planning allows for businesses to review trends and historical data, making it possible to conduct strategic forecasting to streamline ordering, inventory and production. Carefully considering and planning for both near future and long term is the best way to keep pace with the competition. Below are three useful benefits that come from an intelligent demand planning functionality.

3 USEFUL BENEFITS FROM DEMAND PLANNING FUNCTIONALITY

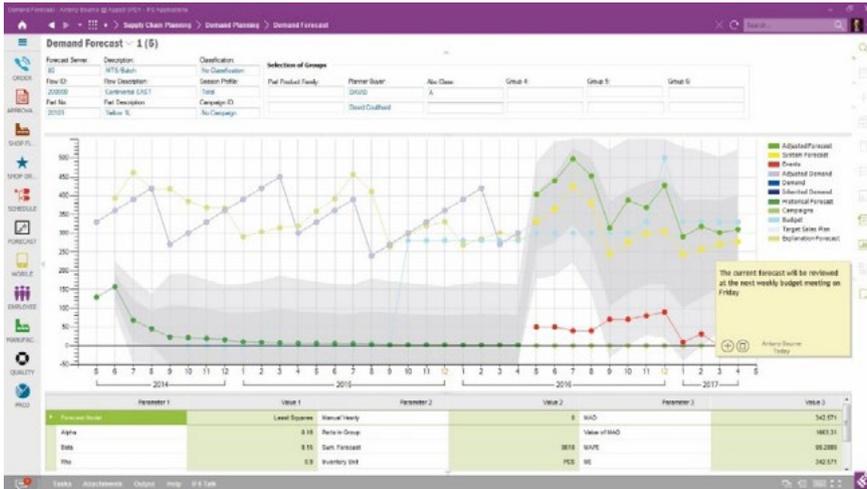
1. Seasonality
 2. Inheritance
 3. Collaboration
-

SEASONALITY

Businesses in the food and beverage industry must always be prepared for change, especially when seasonality shifts demand planning. Seasonality is one of the most commonly used statistical patterns to improve accuracy of a demand forecast. Having the agility and planning tools such as demand planning functionality is particularly useful when managing seasonality. Whether seasonality impacts your sales or your inventory, by using historical data to make predictions, a business can leverage demand planning to provide more accurate forecasts.



Powerful demand planning functionality will help minimize the time-consuming job of defining seasonal profiles and even pairs seasonality with sales distribution for visual representation of your monthly forecast. To make the very best use of all your historical data you need a reliable, multi-faceted, flexible and easy to use business tool.



An example of an end-user view of demand forecast functionality within an ERP solution. Demand forecast functionality can demonstrate historical forecast, system forecast, adjusted forecast, events, campaigns and more.

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INHERITANCE

Finding ways to reduce the impact of high cost areas such as unnecessarily high inventories, a troublesome product portfolio and variable levels of service begins by understanding trends and being able to accurately predict them. To do this you need to have the capability to record and use your business history from which you are able to make insightful forecasts. Demand planning functionality should provide your business with all the functionality and flexibility to turn your business' historical data into accurate forecasts that clearly pinpoint the areas that need to be restructured for greater profitability.

It seems that too many companies continue to fail giving demand planning and forecasting the recognition it deserves and choose to rely on educated guesses. In the modern, global business landscape there is no room for guesswork when it comes to your supply chain, that's why demand planning and historical data are vital to an accurate forecast.

Demand planning functionality should have the capability to populate historical data to provide for an accurate forecast. If your business produces a new product, and therefore does not have relevant historical data for the product, the demand planning functionality should provide inheritance data through algorithms that select and group historical data from similar products with parallel patterns. With inheritance, a credible forecast can be created for a new product without relevant historical data.



Demand planning functionality should have the capability to populate historical data to provide for an accurate forecast.

Inheritance should be one of many capabilities within your ERP solution's functionality. The demand planning module should calculate a lot for your business, but realize the value of an ERP solution that enables the user to have the final say before any large business decision. ERP solutions are intelligent, but no one knows your business better than you.

BEWARE OF CANNIBALISM

New product development and innovation is exciting, especially when a new product goes to market, but new products can become troublesome when the product turns into a cannibal, chipping away at existing market share. For instance, let's say that your business produces milk chocolate candy and looks to expand into dark chocolate candy. Whether or not events such as promotions are occurring, if the newly released dark chocolate candy gobbles up most of its share from the milk chocolate candy that the business was already selling quite successfully, this business is running into an instance of cannibalism.

Highly graphical, interactive demand planning tools provide users the capability to benefit from widespread forecasting over various timeframes and events. Intelligent demand planning can provide users with forecasts that will demonstrate potential product cannibalism before it occurs. Demand planning should easily adjust to correspond with conditions and events to focus on significant areas of concern, such as cannibalism.

COLLABORATION

In most businesses there are multiple people involved in forecasting decisions. In the simplest form, there are multiple sales roles that are involved in forecasting in a sales capacity. When multiple users are contributing to forecasts, collaboration is invaluable.

Once a forecast has been generated there could be a need for a coworker's input. A highly-intuitive and flexible user interface of an ERP solution with demand planning functionality enables users to create a graphical setup, which conveys information with great clarity for other users. The collaboration of a demand planning module enables different users to work simultaneously on selected parts of a forecast and to provide their views on future sales without disturbing other parts of the forecast.

Collaboration also allows for users to change forecast models to see how events and campaigns will impact the forecast. If a forecast shows that September sales will be low, a user can add a campaign or event to preview its impact in the forecast. Based on the impacts of the forecast, a user can use the collaboration of demand planning to clearly pinpoint the areas that need to be restructured for greater profitability.

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WHAT'S NEXT FOR FOOD AND BEVERAGE DEMAND PLANNING

Demand planning plays a pivotal role in the food and beverage industry, serving as the key to a profit-driven supply chain cycle. By harnessing real-time data on your supply chain your business can plan for future demand and seasonality, beware of the cannibal products and engage in collaboration to better manage your supply chain. If your organization struggles to manage your food and beverage supply chain, it might be time for a change.

By implementing an ERP solution with fully supported intelligent demand planning functionality, businesses can expect to see improved customer service levels, increased sales, reduced inventory carrying costs, improved cash flow projections, production smoothing and increased ROI.

To find out more about how IFS is embracing future opportunities for the food and beverage industry and demand planning, visit our website at [IFSworld.com](https://www.ifs-world.com).

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