

# Effective Supply Chain Management and Role of Demand Planning

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**Abstract:** In a modern industrial era, companies are facing another wave of technology that will have big impact on the way they work to sustain their business by keeping the customers satisfied. The Production is in a unique position to prepare their workforce for this new way of working. Nowadays no businesses compete solely as an entity in the market but also with supply chain. The Success of a business will depend on management's ability how they effectively make a network of interaction between the different entities (Suppliers, Retailers, Warehouse operators, Distributors, even transporters and Customers ) with the organization. Supply Chain management is integration of key business processes across the supply chain for the purpose of creating value for customer and Stakeholders. Supply Chain management is integral part of most business and is essential to company success and Customer satisfaction. Demand planning is a key factor for effective supply chain management. This paper focuses on need and importance of Supply chain in modern business. This paper also highlights the Role of Demand planning in Supply Chain management.

**Keywords:** Demand Planning, Supply Chain Management, Demand Volatility, Supply Chain Agility.

## 1. Introduction

One of the most significant changes in the paradigm of modern business management is individual business no longer compete as solely autonomous entities, rather than supply chain. In a technology world, success of a business will depend on management's ability how they integrate their different functional areas of business to make the process more effective. An effective Supply Chain that can meet the need of both producers and consumers is one that takes an integrated approach towards management.

## 2. Supply Chain Management

Supply Chain Management, the management of the flow of goods and services that involve the movement and storage of raw material for work-in-process inventory and finished goods from the point of origin to point of consumption. Supply chain management has been defined "**Design, Planning, Execution, control and monitoring of supply chain activities with the objective of creating net value, building a competitive infrastructure, leveraging worldwide logistics, synchronizing supply and demand and measuring performance.** Marketing channels play an important role in Supply Chain Management.

## 3. Need For Supply Chain

Traditionally Supply chain management are more reactive than proactive. Today consumers and producers are constantly communicating with each other before product reaches its destination. "Supply chain management is integral part of most business and is essential to company success and customer satisfaction". In order to keep the customer satisfied organization need to provide them with the product when they want it. In a modern industrial world, Agility of supply chain has been increased. That is Supply

chain leads responds quickly with the changing Demand Volatility. Supply chain management involves optimizing the operations to maximize both speed and efficiency Speed is important because customers value and fast service. Increasing speed however can cause costs to skyrocket, so maximizing efficiency is equally important.



Effective Supply Chain for business why Because of

- ✓ Providing correct Product assortment and quantity to the customers
- ✓ Providing effective after sale support.
- ✓ Lowering the Safety Stock requirements
- ✓ Scheduling effective production to meet the demand
- ✓ Make the product available at the right location and in right time to satisfy the customers.

#### 4. Demand Planning

Demand Planning – Key to a Profit driven Supply Chain Cycle. Demand planning is a Multistep operational Supply Chain Management process used to create reliable forecasts. Effective demand planning can guide to improve the accuracy of revenue forecasts, align inventory levels and increasing customer satisfaction. Demand forecasting is more significant for effective Demand Planning.

Demand forecasting can be described as systematic process that include anticipating the demand for the product and services of an organization in future under a set of uncontrollable and competitive forces.

#### DEMAND PLANNING – KEY FACTOR FOR EFFECTIVE SUPPLY CHAIN

## A Better Approach = Integrated Sales Forecasting, Inventory Planning and Replenishment Planning

Integrated Supply Chain Planning – Driving the business via ONE PLAN:



### Good Demand Planning enhances Profitability – If it is executed appropriately.

Demand Planning uses analytics that examine historical sales data, customer orders shipments, current sales and market indicators to predict demand patterns based on market changes enabling firms to make smart decisions about Inventory and Production levels.

The success of supply chain is often linked to its efficiency, which can be traced back to the ability of managers to conduct accurate forecasts when it comes to revenues and inventory. Those two facets of a business are tied to a crucial process in the world of Supply chain.

The data sources for the forecasting include Planned sales order, customer contracts and inter-company standing orders.

Key steps for reliable demand planning includes:

- Importing historical sales data.
- Creating Statistical forecasts
- Collaborating with customers,
- Managing forecasts
- Building consensus forecasts
- Supply and demand Collaboration.
- Securing Constrained forecasts.
- Confirmation with customers
- Reexamining data and adjusting the plan.

Examining the correct data is one of the huge challenge, as the information must be run through a number of filters, such as frequent zero demand, month over month demand history, frequent shortages etc.

Without proper demand planning supply chains windup dealing with production delays, Inventory surplus and strained relationships across the various disciplines that make up an organization. The integration of key business process across the supply chain for the propose of creating value for customers and stakeholders.

To avoidsuch problems a supply chain is able to adapt eliminating bias and building systems that can sense and respond to demand volatility. Such a system needs to be designed from the outside – in and include sensing channel demand. Another huge challenge faced by Demand Planning in Supply Chains are interactions of different entities of business regarding requirements of each. One area of a supply chain such as procurement may improve its ability to forecast future demand, but logistics and manufacturing may lag behind, leading to higher levels of inventory and escalating costs.

Getting each player in the supply chain on board with demand planning is often difficult. A common way to achieve collaboration across functions is through the implementation of centralized demand planner for all groups to report their respective data. The challenge for this centralized cross – functional analytics group is to understand the needs of the various departments and how consumer behavior’s drive demand.

## 5. Conclusion

In todaysevolving corporate world, effective and performing Supply Chain is crucial for success, because the pressure is growing from an increasingly impatient customer base that want their products faster and cheaper – with diminishing lead time granted to the manufacturer. Some companies face challenges such as their inability to meet customer service expectations regarding quality and on-time delivery. This is usually what an underperforming of supply chain leads too. It is the result of ineffective Demand planning and poor forecasting accuracy. This is the reason why corporates are increasingly investing time and workforce in training and development programs in this area. So, there is no doubt that demand forecasting is highly significant for the success of a business.”Demand Planning – The key to a Profit – driven Supply Chain Cycle’ . Through effective implementation a good Demand planning strategy organizations are more likely to achieve the desired positive outcomes which ultimately leads to more productivity and Profitability.

## References

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