Supply Chain Weekly Blast

#016 : Demand Sensing

Part 02

vekia

CPFR (Collaborative Planning, Forecasting and Replenishment) ▶ **Demand Driven Value Chains** ▶ **Demand Sensing**

Demand sensing is a newer concept about forecasting that incorporates several approaches, such as **including data from all levels of the supply chain network to adjust forecasts** in real or near-real time.

Approaches

1 **Latency Reduction (LR)**

This is the concept of **reducing the cycle time between forecasts**. Historically, most forecasting methods have used cycle times of months (or even longer). To achieve demand sensing, this approach is to model demand more frequently – weekly, or even daily (or even shorter) – depending upon how readily an organization can respond to the new forecast.

2 **Downstream Data Integration (DDI)**

This is the concept of **including downstream supply chain information in a demand model**. Traditional models predict demand by analyzing past sales and forecasting into the future. To achieve demand sensing, this approach is to aggregate and analyze point-of-sale data from different regions, markets, brands and distribution channels to better understand consumer behavior.

3 **Measuring the Impact of Demand Shaping Actions (DSA)**

This is the concept of **both recording and determining the impact of so-called demand shaping events such as marketing initiatives**. These events could be in the form of new product launches, price changes promotions, and forward-buy arrangements. This approach to demand sensing creates an additional source of data from which new insights can be gained.

Each of the above approaches can be used independently or in any combination to achieve demand sensing forecast model. The difficulty comes from establishing which pursuits are feasible and worth the investment.

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