

NetSuite Demand Planning

Flexibility and Precision in Inventory Forecasting and Management

BENEFITS

- Increased top-line revenue
- Optimized inventory levels
- Cost reductions and avoidance
- Productivity improvements.

BENEFITS

- Calculate demand plans leveraging historical data or sales forecasts
- Calculate supply plans and automatically generate purchase or work orders
- Model how expected sales and purchase orders affect future inventory levels.

For businesses to achieve best-in-class inventory management, they must maintain the right amount of inventory to effectively meet anticipated demand. Companies unable to maintain this delicate balance end up carrying too much inventory and spending precious dollars on expedited or emergency shipments and unplanned replenishment. Because of these consequences, companies are constantly trying to improve inventory management through demand planning models that try to predict the “right” balance of inventory.

Unfortunately for most organizations, this process relies on spreadsheets and manual inputs from sales teams. The manual nature of this process results in not only inaccurate forecasts, but forecasts that aren’t timely. The process itself can be costly, consuming both time and resources that could be better spent understanding how to leverage the results.

NetSuite’s new Demand Planning module helps solve these challenges by enabling purchasing and inventory managers to determine the demand projection of items in the coming months based on historical data and trends or sales forecast information. It delivers the insights that managers need to plan inventory accordingly, and create purchase and work orders to meet anticipated demand.

Item Demand Forecast vs Actual													
Item	Q1 2011		Q2 2011		Q3 2011		Q4 2011		Q1 2012		Total		
	Forecast Quantity	Actual Quantity	Forecast Quantity	Actual Quantity	Forecast Quantity	Actual Quantity	Forecast Quantity	Actual Quantity	Forecast Quantity	Actual Quantity	Forecast Quantity	Actual Quantity	
Warehouse - East Coast													
Accessories													
Cable - Cat 5, 10 ft	150,000		382,500		1,192,500		525,000		840,000		3,090,000		
Cable - IDE	41,389	1,240,000	63,750		198,750		87,500		140,000		531,389	1,240,000	
Cable - Serial, 10 ft	150,000		382,500		1,192,500		525,000		840,000		3,090,000		
Cable - USB 10 ft	150,000		382,500		1,192,500		525,000		840,000		3,090,000		
Computer Systems													
Desktop													
Power Supply - Lotus 1700	150,000	370,000	382,500		1,192,500		525,000		840,000		3,090,000	370,000	

Reports allow you to easily compare forecast demand to actual

Demand Plan: Flexibility in Forecasting

When using NetSuite to calculate your demand plan, you can select the timeframe of historical data or future forecast data to be used in determining seasonal fluctuations in inventory. In addition, you can incorporate preferred stock levels set on a company or per-item basis when generating the demand plan. Projections are calculated on a per-location basis, giving you the flexibility to accurately project demand in a given area.

Once your demand plan is generated, you can review and edit the individual inventory needs for a particular time period of the plan. For instance, you may want to increase the inventory level for July if you plan to run a promotional campaign that month.

NetSuite's Demand Planning module allows you to analyze your stock demand needs based on a variety of packaged projection methods such as:

- **Linear Regression:** Uses previous demand to project future inventory needs based on steady linear growth
- **Moving Average:** Uses previous demand to calculate the overall average stock level needed, then projects future stock levels using that overall average
- **Seasonal Average:** Uses previous demand to examine the seasonal trend of inventory flow, then projects a similar seasonal trend for future stock levels
- **Sales Forecast:** If you are using NetSuite for your sales operations, this option uses forwardlooking sales forecast data to project inventory demand.

Item Demand Plan: List | Search

◀ ▶ **Item Demand Plan: Cable - Serial, 10 ft**

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Primary Information

Location Warehouse - East Coast	Unit of Measure	Memo
Item <u>Cable - Serial, 10 ft</u>		

Last Calculated Information

Projection Method Seasonal Average	Projection Start Date 3/1/2011	Historical Analysis Duration 12
Projection Interval Monthly	Projection Duration 6	Alternate Source Item Cable - IDE

Item Category

Year	Month	Start Date 3/1/2011	End Date 12/31/2011	View Monthly
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Start Date	End Date	Monthly Calculated	Quantity
3/1/2011	3/31/2011	400000	400000
4/1/2011	4/30/2011	580000	580000
5/1/2011	5/31/2011	120000	120000
6/1/2011	6/30/2011	320000	320000
7/1/2011	7/31/2011	540000	540000
8/1/2011	8/31/2011	1440000	1440000
9/1/2011	9/30/2011		
10/1/2011	10/31/2011		
11/1/2011	11/30/2011		
12/1/2011	12/31/2011		

Get visibility into the demand for a given item by time period

Supply Plan: Streamlined Replenishment

In calculating your supply plan, the NetSuite Demand Planning module provides you with a list of recommended purchase orders or work orders based on parameters set on the item record, such as re-order point and lead time. If purchase orders are generated, the preferred vendor from the item record is used on the purchase order. When assembly items are involved, the supply plan factors in all levels of a multi-part assembly and plans the work orders for all sub-components of the build, as well as purchasing of required raw materials, giving you the flexibility needed for even the most complex of demand planning environments.

Additionally the supply plan enables you to select which items to automatically calculate ordering requirements, providing flexibility when different methods might be required. During this process, the system automatically considers outstanding quantities in non-posting transactions (purchase orders, transfer orders, work orders) and quantities in posting transactions (item receipt, item fulfillment, cash sale, invoices), ensuring that the supply plan accurately reflects existing inventories and orders.

Gross Requirement Inquiry: Modeling Inventory Levels

Gross Requirement Inquiry: Modeling Inventory Levels

Another key feature of the NetSuite Demand Planning module is gross requirement inquiry, which allows you to model how expected sales and purchase orders will affect future inventory levels. This feature is critical to ensuring that you can model different aspects of your business and understand the impacts.

Gross Requirements Inquiry				
Location		Warehouse - East Coast	Unit of Measure EA	
Item		Cable - USB 10 ft	Safety Stock Level 50	
Date	Order Date	Type	Quantity	Quantity On Hand
3/11/2011		Beginning Inventory		100001
3/11/2011		Entered Supply Orders	30	100031
4/1/2011	3/18/2011	Planned Purchase Order	117519	217550
4/1/2011		Forecast from Demand Plan	-217500	50
5/1/2011	4/17/2011	Planned Purchase Order	45000	45050
5/1/2011		Forecast from Demand Plan	-45000	50
6/1/2011	5/18/2011	Planned Purchase Order	120000	120050
6/1/2011		Forecast from Demand Plan	-120000	50
7/1/2011	6/17/2011	Planned Purchase Order	202500	202550
7/1/2011		Forecast from Demand Plan	-202500	50
8/1/2011	7/18/2011	Planned Purchase Order	540000	540050
8/1/2011		Forecast from Demand Plan	-540000	50
9/1/2011		Entered Supply Orders	600000	600050
9/1/2011		Forecast from Demand Plan	-450000	150050
10/1/2011		Forecast from Demand Plan	-67500	82550
11/1/2011	10/18/2011	Planned Purchase Order	67500	150050
11/1/2011		Forecast from Demand Plan	-150000	50
12/1/2011	11/17/2011	Planned Purchase Order	307500	307550
12/1/2011		Forecast from Demand Plan	-307500	50

Easily review how quantity changes based on forecasted demand

Leveraging NetSuite Demand Planning, your company can achieve best-in-class inventory management, maintain the right amount of inventory to effectively meet anticipated demand and achieve that delicate balance of the “right” inventory. By doing so, you can avoid tying up too much capital in excess inventory or carrying too little inventory, and minimize the risk of missed sales or customer dissatisfaction because of stock-outs.