# 8 Simple Steps for Your Distribution Demand Planning Journey

Demand planning is being recognized as the cornerstone to a mature supply chain. To maximize the benefits of demand planning, establish a formalized cross-functional process within your organization.

**Remember:** Moving a reactive practice toward a more mature and collaborative forecasting model is not a sprint, but a marathon. The demand planning team must collaborate internally and externally to strike the right balance between customer service and return on inventory investment.

## 1 — Know Your A, B and Cs
Classify inventory by order of importance followed by a focus on return on investment.

## 2 — Understand Customer Demand vs. Sales Statistics
Explore whether there is a discrepancy between demand and actual sales to better understand the influential factors.
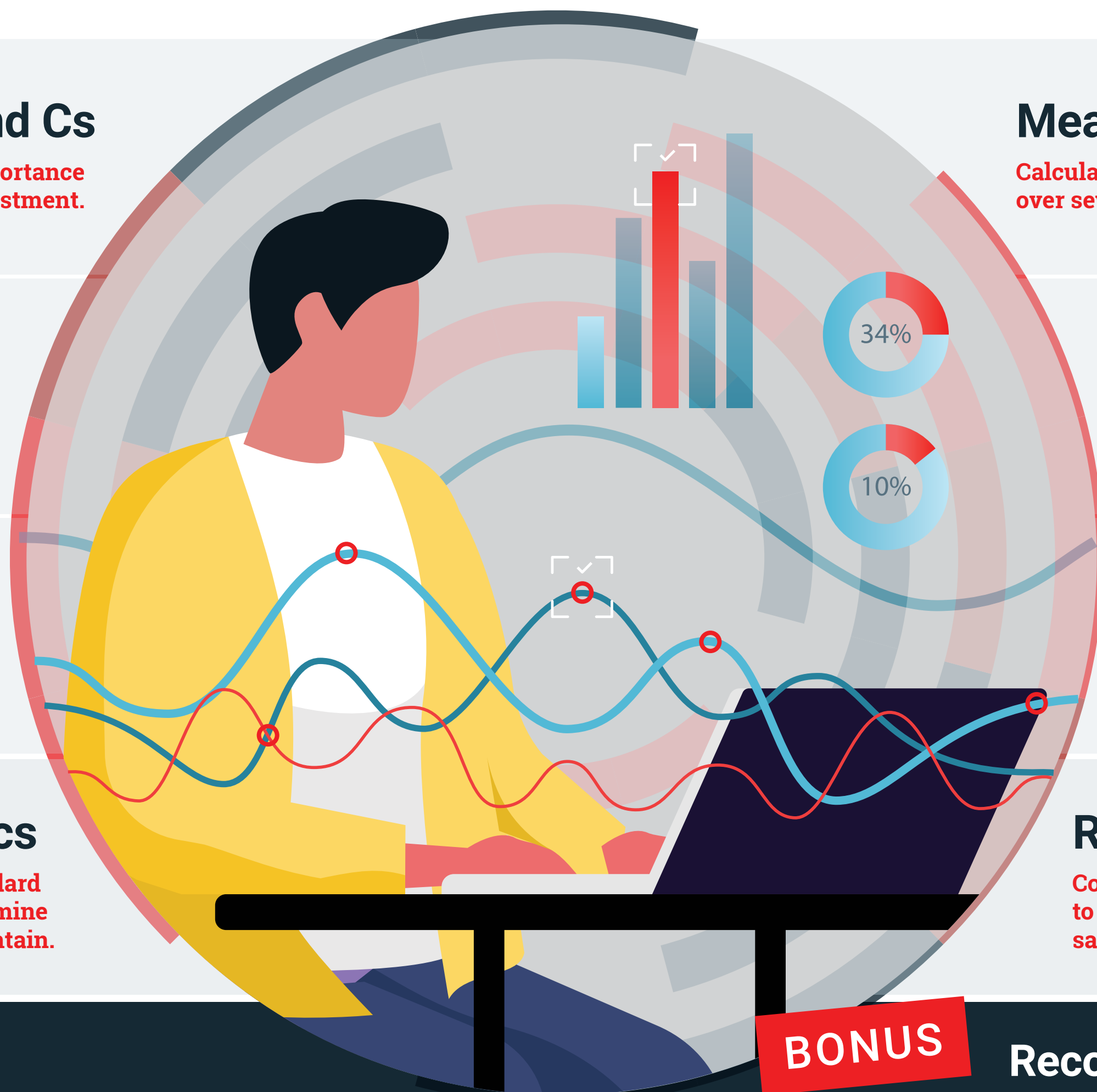
## 3 — Categorize Items
Identify customer buying and demand patterns for both seasonal and non-seasonal items.

## 4 — Calculate Data Metrics
Use both the coefficient of variation (COV) and standard deviation (SD) metrics to recognize product risk and determine how much safety stock to maintain.

## 5 — Measure Forecast Accuracy
Calculate the mean average percentage error (MAPE) at the SKU level over several observations to predict the level of forecast probability.

## 6 — Improve Forecast Accuracy
Establish a formal internal process by evaluating forecast algorithms and incorporating business intelligence.

## 7 — Examine Insights
Seek qualitative data and inputs from internal and external stakeholders; do not limit your forecast to quantitative information.

## 8 — Reexamine Supply Strategy
Continuously evaluate inventory to establish either a procure to stock or procure to order strategy as well as rightsizing your safety stock.

**BONUS**

## Recognize Distribution Capacity
Consult with warehouse operations to gain an understanding of labor and capacity constraints.

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