

THE PATH TO MODERN PLANNING

Better demand planning:

how finance can lead its
successful transformation.





Embed agility into your DNA.

Today's highest-performing enterprises have agility in their DNA. Most of them have harnessed modern planning across their organization to empower seamless cohesion, effortless pivots, and rapid acceleration at scale.

The journey to modern planning usually starts with modern financial planning. Finance teams master best practices, such as rolling forecasts and what-if scenario planning, and extend these practices company-wide, across every operational department.

Company-wide planning ultimately results in the entire organization operating from a single holistic planning environment—empowering better operational and strategic decision-making everywhere.



One enormously powerful subset of modern, company-wide operational planning is demand planning—a cross-functional process of forecasting demand and then planning the supply of products and services to optimize delivery against predicted market appetite.

It's an essential tool to help organizations navigate unpredictability by preempting and adapting to shifts in demand in order to maximize profitability and increase resilience amid rapid change.

And, as we explore in this eBook, demand planning is also deeply entwined with planning across the business, making it an essential step on your modern planning journey.

This eBook is a resource for financial planners to start moving toward modern demand planning and bring the business along with you. Keep reading to learn:

- What modern demand planning is, why organizations typically struggle with it, and what happens when you get it right
- Which best practices should guide your progress toward modern planning to align the organization
- What modern demand planning looks like across retail, manufacturing, and healthcare

Let's go.



Section 1

What is demand planning, and why is it critical to acceleration?

Demand planning is the process of forecasting shifts in demand and planning how to optimize supply accordingly. Effective demand planning empowers the organization to react faster to changes in customer appetite, optimizing margins and capitalizing on sales opportunities to maximize profit.

Imagine you're an outdoor clothing retailer. At its most basic, demand planning means understanding you'll sell more coats in winter and have the correct inventory to meet that demand without excess supply.

As demand planning becomes more sophisticated, you move beyond simple trends into a more multifaceted and nuanced understanding. For example, predicting there'll be less demand for your skiwear this winter because a competitor launched a new product line, snowfall is low, and the economy is tight, so fewer people are taking ski holidays.

Knowing those things, you could invest less in skiwear that won't sell and more in product lines that will—for happier customers and less waste. In essence, demand planning is about rightsizing supply to meet customer needs as efficiently as possible.

When you get demand planning right, the benefits are huge.

Companies that excel at demand forecasting have:

- Less excess inventory
- Better order fulfillment
- Shorter cash-to-cash cycle times
- Higher profit margins
- Fewer stock shortages



Demand planning complexities.

But there's a catch. Demand planning can be extremely challenging. Maintaining predictable supply is hard enough, to say nothing of the ever-shifting nature of customer demand. Most organizations accept limited or imprecise demand planning as the status quo. The result is opacity—or a disconnect—between supply and demand, potentially causing two challenges:

- Insufficient supply to meet customer demand, leading to dissatisfied customers, missed growth opportunities, and, over time, a declining market share
- Supply exceeding customer demand and driving up inventory, storage, and staffing costs, and eating into your profit margins

Both are critical challenges in today's congested competitive environment, where advantage hinges on small margins. And, in both cases, you also face an additional problem: inaccurate demand planning has a downstream impact on other planning across the business.



Come back to our outdoor clothing retailer scenario. If you believe there'll be less demand for skiwear, you need to manufacture or procure less product, sure. But zoom out to look at the bigger picture:

- Sales might need to tweak targets for its product lines to maintain overarching revenue targets
- HR might need to readjust headcount plans, or redistribute people where they'll be more useful
- Marketing might shift campaign focus and reallocate budget (which in turn might influence demand for other products)

Inaccurate or limited demand planning results in wasted spend, wasted effort, and missed opportunities across the business. Cumulatively, inaccurate demand planning causes inefficiencies across the enterprise, as well as poor strategic and operational decision-making.

You can't reliably identify the best next steps when you're acting on inaccurate or outdated information. You can't easily spot long-term opportunities that might have otherwise been competitive differentiators.

For instance, perhaps the best strategic move would be to discontinue your skiwear product line and funnel investments into water sports. Decision-making supported by foresight and that gives enterprises a competitive edge often hinges on modern demand planning.

Let's look at how you get there.



Section 2

Best practices of modern demand planning.

Demand planning can be challenging because both supply and demand are influenced by myriad interacting factors. For example:

- Supply could fluctuate based on spikes or drops in customer orders; staffing levels; staff absence rates, such as sick leave or vacation; staff productivity; supplier reliability; unexpected supply chain bottlenecks; and so on.
- Demand could fluctuate based on effective or ineffective marketing campaigns, competitor pricing, new products or services entering the market, changing buyer preferences, global affairs, and so on.

Demand planning requires an understanding of the complex interplay of these factors, as well as visibility into and the pulling together of financial, operational, and external market data from multiple systems and sources.

Organizations often struggle with this because the data needed is sparse, siloed, and fragmented—if available at all. Demand planning is a creative act that can feel more like art than science—insights often lie at the intersection of fast-moving and apparently unrelated data sets. There's often very little hard data on external factors, such as changes in customer appetite or material costs.

Likewise, the lines of ownership and accountability for the data that's available are muddy at best. Demand planning needs broad participation and collaboration across departments. Depending on the current state of planning within your organization, this might feel like a significant capability leap.

Demand planning is only one arm of modern company-wide planning—the vision that ultimately sees all operational departments conducting sophisticated planning activities within one holistic planning environment. Many businesses have acknowledged that their traditional ways of planning lack the agility to anticipate and respond to swings in demand. They're finding the answer in modern planning—and the sweeping digital transformation it requires.

Even if you haven't completely realized this goal—and company-wide planning is more of a continuous journey than a destination—modern demand planning will be much easier if you already have at least some cross-functional visibility and buy-in. If you're early in your planning journey, focusing on elevating operational planning in one high-impact department, such as sales or HR, is often a better starting point.

But let's assume you're ready to take the next step on your path toward modern, continuous, company-wide planning. Here are some best practices to guide you.





Plan in a holistic environment.

In most organizations, planning happens in disconnected siloes. Finance owns the master corporate financial plan and functional leaders own their operational plans. Nobody has visibility over the whole, because the planning process typically happens in spreadsheets or, sometimes, in department-specific point-solution tools.

Both present challenges to demand planning. Spreadsheets are error-prone, retrospective, and time-consuming—limiting the ability for operational leaders to plan effectively and burdening finance with endless wrangling and reconciliation that leaves little time for analysis. In practice, building the holistic vision demand planning requires is nearly impossible using spreadsheets. And even if you manage it, it's far too slow given how fast demand can change.

Equally, department-specific planning tools might empower operational leaders to plan more easily within their own department than with spreadsheets, but they don't integrate with other departments and finance has little oversight. This lack of connectedness doesn't just forfeit possible cross-department collaboration opportunities—it means it's difficult to build that holistic planning vision.

To transform demand planning, you need a holistic planning environment that ingests and automatically reconciles data from multiple sources, both across the business and, ideally, externally. By feeding planning systems with real-time data—such as from ERP and CRM systems—organizations are better equipped to forecast demand for goods and services, including anticipating regional spikes or slumps and adjusting sales territories, informing marketing campaigns, tailoring goals, and assessing performance accordingly.

Rally broad participation.

Demand planning isn't one single functional area but a subset of financial planning that benefits from the input of operational department leaders and impacts operational departments downstream.

For example, say you're planning demand for a manufacturer and marketing is about to run a campaign for a particular product in a certain region. You need visibility into marketing's planned activities to predict demand spikes, which in turn have a downstream impact as you need to ensure you've got enough supply and enough headcount to fulfill orders. You might need to optimize warehouse space, or reroute resources from other product lines. You need to know how logistics is functioning on the ground, and manage customer delivery expectations accordingly. And all of this will impact your revenue targets and cash flow.

The point is, demand planning is a deeply collaborative activity that's usually orchestrated by finance but impacts the entire business. Ultimately, as confidence and capability grows, dispersed operational leaders should autonomously feed into the process with their own data and act on insights.

To get there, you'll need a high level of collaboration across the enterprise. That means you need a planning tool that not only creates a single holistic environment, but one that's also designed with business users in mind. The right tool needs to feel intuitive in the hands of dispersed functional leaders, or else adoption will suffer.



Recalibrate and synchronize plans continually.

As we've said, distributed demand plans are connected—they continually change, and are changed by, plans from other departments. Demand is seldom fixed—it can shift in the moments it takes for an influencer to tweet the wrong thing, or for a competitor to suddenly gain traction, or a legal body to confirm a regulatory change.

Plans that are continuously synchronized ensure crucial operational decisions are based on real-time data, not outdated information and best guesses. In practice, this is a large, impractical, and error-prone task to undertake manually.

Imagine the end-game here. Demand planning is just one planning category that happens across the company, constantly. Operational decision-makers across the business autonomously and continually input and tweak data to enable better everyday decision-making. But every tweak, nuance, or new piece of information can have an impact on demand planning and needs reconciling with the demand plan and the overarching corporate financial plan.

To achieve this vision—of a self-orchestrating plan of plans—you need a platform with an architecture that empowers leaders across departments to plan within their own instance while automatically synchronizing updates across other related plans. The more closely plans are synchronized, the more warning you have and the better you can prepare for changes in demand.

Build strong relationships to galvanize buy-in.

Demand planning, like company-wide planning as a whole, represents a major shift from traditional planning methods. Rather than being an activity owned by finance, demand planning enlists input from departments across the organization.

As with any change initiative, building momentum can be difficult. You might encounter initial skepticism from operational leaders, especially if planning and collaborating with finance has traditionally been challenging.

Don't underestimate the gravitational pull of inertia, either. Old habits die hard—particularly given that the limitations of your current approach will be invisible to most operational leaders. Finance's first job is to prove that a better way exists at all—and that this way tangibly improves the day-to-day tasks of operational leaders and supports high-level corporate goals.

Let's look at modern demand planning in practice.





Section 3

Modern demand planning in practice.

Demand planning is powerful for almost every industry, but let's deep-dive into three where it has a particularly profound impact: retail, manufacturing, and healthcare.



By linking every department across the country through planning that's continuous, comprehensive, and collaborative, Workday Adaptive Planning made us a more agile company and equipped us with the actionable insights we needed to meet tremendous demand during a uniquely challenging time.

Associate Director, FP&A
Reily Foods Company

[Read more.](#)

Retail.

Retail is all about the customer experience, and consumers' spending habits and loyalty are a reflection of that, which makes customer service one of the most powerful drivers of profitability.

Demand planning, in turn, is one of the most powerful drivers of customer service. Better aligning supply to meet demand doesn't only mean maximizing sales opportunity right now. It also means delivering against customer expectations and helping to secure their loyalty for future purchases, increasing customer lifetime value.

At its best, demand planning also allows you to predict and preempt long-term market demand, to meet emerging customer needs before competitors stake a claim to new market share.

Example:

When the limitations and restrictions of COVID-19 hit food manufacturer and retailer Reily Foods Company, the organization saw customer demand for baking products unexpectedly soar. With Workday Adaptive Planning, the team eliminated multiple spreadsheets and consolidated demand forecasting into one process. The organization was able to predict and react to this changing demand extremely fast, asking what-if questions and building scenario-based forecasts to address hourly market changes. Reily Foods Company was able to right-size inventory in lockstep with skyrocketing demand—a major success during an otherwise turbulent period.

Manufacturing.

Manufacturers face a long list of challenges that make demand planning difficult, but critical, to predict. These challenges include large and growing product portfolios, a huge bill of materials, slow-moving inventory, increasing customer pressure on delivery times, complex and geographically dispersed distribution networks, and escalating cost pressures.

For manufacturers, demand planning is a route to economizing inventory, decreasing holding costs and waste, improving order fulfillment, and increasing supply chain cost-efficiency. It has a downstream impact on production scheduling, product lifecycle management, replenishment planning, warehousing, logistics, and headcount planning.

In short, modern demand planning is integral to modern manufacturing.

Example:

For Alcoa, one of the world's top miners, refiners, and producers of aluminum, connecting complex global operations to meet ever-changing demand was a big challenge.

Global demand forecasting was splintered across numerous spreadsheets, so collating and reconciling data was extremely time-consuming. Siloes meant demand planners had poor visibility to steer decision-making.

Now, with Workday Adaptive Planning, Alcoa's demand planning teams have increased demand planning efficiency by 4x, freeing time for reporting, analysis, and scenario modeling. Teams can now make crucial business decisions based on current forecasts instead of using month-old data, and employees are empowered to easily explore forecasts, create custom reports, and run what-if scenarios themselves.

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We've cut our processing time in half and we can do almost twice as much as we did before, so we are improving demand-planning efficiency by 4x with Workday Adaptive Planning. This means we can improve our competitiveness by having more time to analyse topics such as raw-material procurement strategies to boost margins, and potential price changes or strikes, so we're always ready for the unexpected.

Global Director of Supply Chain and Commercial Operations
Alcoa

[Read more.](#)



Healthcare.

In few industries is demand planning of such consequence as in healthcare. Having the right people, equipment, and space to meet daily changing patient needs is integral to patient care—and to patient outcomes. And in turn, integral to the reputation, profitability, and success of modern healthcare organizations.

Both supply and demand can change fast in healthcare. Demand planning empowers healthcare organizations to better understand both and create alignment, ultimately building a more resilient and flexible supply chain. Plus, extending foresight into future changes creates space for more cost-effective supply chain management.

Using scenario modeling, healthcare organizations can fulfill care needs, reduce inventory, optimize order frequency, and increase visibility over use, profitability, and burn rate of products to improve future management. Sophisticated demand planning for healthcare combines supply, capacity, and resource modeling into a single platform that aggregates data from multiple sources, including clinical.

At its most powerful, demand planning becomes embedded throughout the organization, with dispersed department leaders participating in planning by both generating and acting on insights.

Example:

Like every healthcare organization, Dayton Children's Hospital—a 177-bed pediatric acute-care children's teaching hospital and ACS-verified Level 1 Pediatric Trauma Center in Ohio—found its supply chain thrown into chaos as the pandemic hit.

With elective surgeries put on hold and many items on MBO, the supply chain team faced extreme roadblocks in securing supplies for the hospital. Then, as the immediate crisis began to quell, attention turned toward post-pandemic re-emergence planning.

Working with Workday Adaptive Planning and Huron Consulting, Dayton's Children Hospital can now restore stock levels by monitoring back-order fulfillment, plan demand for surgery cases, and optimize patient scheduling. Greater inventory and supplier control has increased visibility and availability of suitable alternative resources to improve delivery and guided rescheduling where needed.

How Workday helps.

In today's tumultuous business environment, leaders know agility and resilience are urgent antidotes to volatility and disruption. Data is your biggest asset in pursuit of those qualities, empowering the organization to preempt and react to change, unearth efficiencies, and uncover hidden opportunities.

That speaks to planning as a discipline—both financial and operational—but nowhere is the opportunity larger than demand planning. Modern demand planning traverses every department, pulling together the complexities and nuances of your organization to create alignment.

Empowered by the right technology, processes, and support, demand planning leaders steward organizations toward higher margins, higher customer lifetime value, and higher working capital, all helping to create a competitive edge.

At Workday, we're powering a new generation of enterprise planning and analysis, to drive business agility in a fast-paced world. Workday Adaptive Planning is cloud-first modern planning software that powers continuous, company-wide planning.

Discover for yourself with this [short on-demand demo](#).





+1-925-951-9000 +1-877-WORKDAY (+1-877-967-5329) Fax: +1-925-951-9001 [workday.com](https://www.workday.com)

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