

Chapter 7: Planning and Forecasting

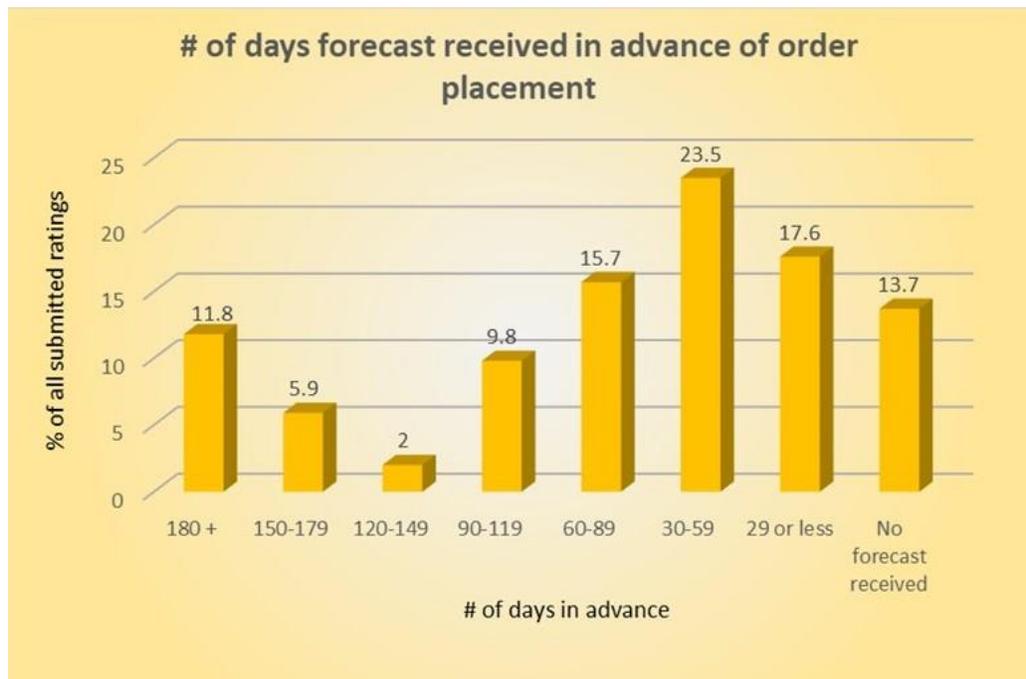
Most buyers provide forecasts of upcoming product needs to suppliers: one-third of these reports accurately predict product order sizes.

Planning and forecasting are important activities for both buyers and suppliers. Planning and forecasting involves buyer companies establishing sales goals for particular periods of time and determining the amount of product needed to meet those goals. When suppliers do not receive any forecast or insight into what orders are coming, they are forced into a last-minute scramble to determine if they can accept the order. On the basis of planning and forecasting, buyers' sourcing staff will often book capacity with preferred suppliers to ensure their production needs can be met.

Suppliers plan production based on these bookings. The farther in advance forecasts are received, presumably the better suppliers can plan production—if the forecasts are accurate.

Despite that fact that a large majority of all submitted ratings (86.3%) indicate that some type of forecast insight was provided by buyers in advance of the production season, planning and forecasting was one of the lower-rated categories with scores ranging from 0 to 5, and an average of 2.5 stars. Of the submitted ratings, 23.5% showed that forecasts were received 30 to 59 days

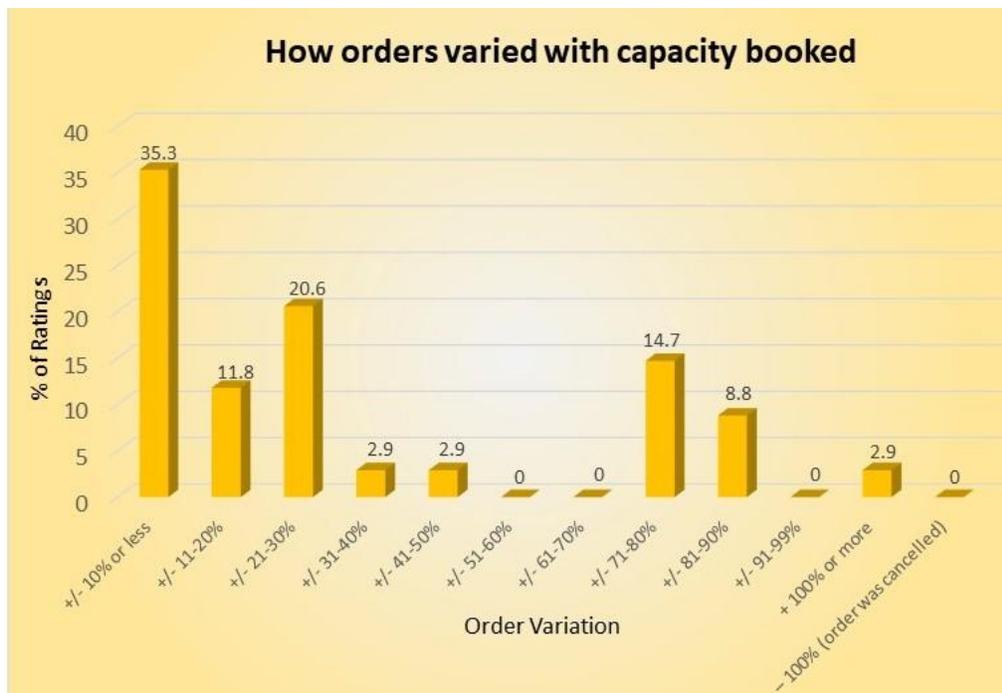
in advance of order placement, but nearly 18% showed forecasts were received less than one month before order receipt. This indicates buyers are probably “chasing” a style they had not anticipated was going to be popular with customers. In contrast, some (11.8%) received forecasts more than 180 days out.



Of the 44 ratings showing forecasts were received in advance, 62.5% reported that forecasts were updated regularly, for example monthly. These updates are valuable for suppliers who refine production plans and worker schedules, arrange for possible sub-contractors as necessary, or seek additional orders to ensure their workers remain fully employed. The more accurate and predictable the forecast received from the buyer, the better the supplier will be able to avoid non-compliance code violations such as overtime, unauthorized sub-contracting and non-payment of benefits.

Two-thirds of all buyer ratings indicate that capacity was booked in advance of production. Of those 34 ratings, 35.3% received orders within 10% +/- of the booking. Another 26.4%, however,

indicated that the orders received were off by 71% or more than what was anticipated.



A few best practices noted by suppliers that related to planning and forecasting included these:

- Buyer provided a production forecast prior to production start and the accuracy was quite high.
- Buyer gives forecasts up front, adjusts them based on new information, and give early buys to try to flatten out production at the start of the season.
- Planning and timeline is always discussed in advance.

How can you use the information Better Buying provides about planning and forecasting?

In an industry that is increasingly holding more dollars and euros for 'open to buy' and likely chasing products without giving adequate production time, improving planning and forecasting is going to be a big challenge. Buyers, if you are not already giving visibility of anticipated business to your suppliers, this would be an important first step. When you receive Better Buying scores, use the information to cultivate internal discussion on improvements.

Suppliers, how do your potential new customers perform when it comes to planning and forecasting? When public ratings are available, you can use this information in negotiations, perhaps requiring payment from the buyer should orders fluctuate outside a certain percentage of the forecast.

The results of our pilot test are likely presenting more positive results than will be found as the number of ratings from suppliers increases. They are still helpful to you for understanding what Better Buying is measuring and how to use the information that will be provided.

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