

Sales Forecasting Best Practices and Their Impact on DRP and MRP Demand Planning

Best Practices in Sales Forecasting & Inventory Planning for Distributors & Manufacturers



Table of Contents

What is Sales Forecasting?	3
Who Manages Your Forecast?	3
Sales Rep Forecasts	3
Financial Forecasts	4
Supply Chain Forecasts	5
Statistical Forecasts	5
Manual Forecasts	5
Creating a Forecast	5
Working for Forecast Data	5
Collaborate	6
Benefits of Manual Forecasting	6
Manual Forecast Updates	6
Statistical Forecasts	6
Point Forecast	7
Upper Confidence Limit	7
Forecasting Methodologies	8
Simple Moving Average Model	8
Discrete Data Models	8
Croston's Intermittent Demand Model	8
Exponential Smoothing Model	8
Box-Jenkins Model	8
Which Model Should You Use?	9
Forecasting Best Practices	9
Accurate Data	9
Data Type	10
Data Points	10
Sample Size	10
Manual Intervention	10
Forecasting & Demand Planning	10
Distribution Requirements Planning (DRP)	11
Material Requirements Planning (MRP)	12
Exception Messages	12
Forecast Demand Consumption	13
Customer Forecast Confidence	13
MRP/DRP Planning Mistakes	14
Conclusion	15
About e2b technologies	15



What is Sales Forecasting?

Sales forecasting means a lot of different things depending on who you talk to and the context of the discussion. Ask a sales person about forecasting and they immediately think of a sales forecast in terms of units and revenue in their customer relationship management or CRM business system. Ask someone in accounting and they may think of sales forecasting in respect to budgets and how the sales forecast will support departmental budgets and overall corporate financial planning. But unfortunately, very few people ask supply chain planners what they need in respect to sales forecasting yet this has the greatest impact on the financial success of the organization.

This white paper discusses sales forecasting from a supply chain perspective providing an overview of sales forecasting strategies and best practices to help distributors and manufacturers to better manage their internal and external supply chains, production and distribution plans, and available resources.

Who Manages Your Forecast?

Every company develops their sales forecasts differently because every company is different – even those in similar industries. With that said, there are four primary ways to develop a sales forecast for supply chain planning. These are related directly to who is developing the forecast and include: sales reps, accounting professionals, planners, and automated systems.

Sales Rep Forecasts

In some industries, the best people to create your sales forecasts are in fact the sales reps who are selling the products. This is common in custom or highly engineered product environments or in cases