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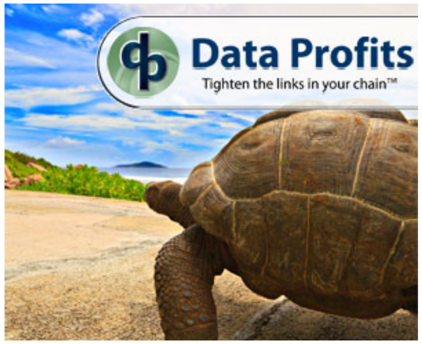

Slow demand products make up 35-40% of most retailer assortments. These products often are critical to the assortment because a top 20% product is often paired with a selection from an assortment of slow demand product choices. This large group of products in your assortment can ruin your turn goals and your GMROI when managed incorrectly. There are two key pieces that must work together for a retailer to win with slow movers: the **demand forecast** and **how the supply chain software uses the demand forecast** to manage the inventory. The results of poor buying are low turns and loss of capital for other product.

Slow Demand Product Forecasting Myths

“How do you forecast slow demand products?” The same question was posed to me in three different meetings at NRF this year. Many software companies differentiate their demand forecast capability from their competition by highlighting their skill in forecasting slow product demand; at the same time, they strike fear into the hearts of retailers by highlighting retail losses delivered due to poor demand forecasting of slow moving products. The key to this discussion is to not get trapped into a no win conclusion. More than a great Demand Forecast is needed to attain winning results with these product groups. Like the story of the ‘Tortoise and the Hare’, Slow demand products are part of any assortment and can be big winners.

Test the Slow Demand Product Forecast Myth

several retail software provider web sites, a visitor will see that many software companies highlight their ability to forecast slow demand products. Following that line of reason, the measure of success is found by testing the forecast accuracy for a given period of time and repeating the test regularly. Taking the results and calculating the mean and standard deviation will tell us if the forecast is accurate. **The problem is that forecast accuracy is not the ‘smoking gun’ solution to slow demand products.**

To manage slow demand product, we recommend **you avoid:**

- Reviewing forecast accuracy within a single company traditional demand period
- Measuring in-stock

- Using incorrect forecast methods like Time Series, Exponential Smoothing, and This Year/Last Year. These fail to deliver the correct stock model. Some of these smooth or ignore zeros, which is a bad idea. Croston's method may be used, but, without thoughtful implementation, then it, too, will deliver poor results.

When managing slow demand product, **you should:**

- Review forecast accuracy over a window of time that includes multiple periods.
- Measure service attained – NOT in-stock. The focus needs to be on the inventory stocking requirements necessary to meet service level.
- Use inventory management software that correctly identifies slow demand products. This software should not smooth or ignore a zero in sales history when calculating a forecast. The software should deliver an inventory management solution that is based on service level and cost-effective inventory management models.

Service Attained = [Sales / (Sales + Lost Sales)]

How to Achieve Service: Optimize Facings and Ignore Demand Forecast

The pick size and store facing (presentation model) often have a significant impact in the end results. If a product has a forecast of 4 units a quarter and a pick size of 4, then the forecast accuracy only really matters across 3 months (1 quarter). If the stock model or store facing is one unit, when the on hand is one unit, then the system will buy more. In this store facing example, the forecast accuracy again only matters across 2-3 months. The critical metric to look at here is service attained and not in-stock. To put it differently, inventory to meet customer demand and sales results is what’s important.

Overstock, Shelf-Life and Smoothing the Zeros

The key to managing slow demand products is to The key to managing slow demand products is to focus on a combination of service and demand forecast accuracy across a wider selection of periods to avoid the common pitfalls listed. Identify the slow demand products in your assortment and try some of these ideas for the next 45 days to learn how this helps to ‘Tighten the Links in Your Chain™.’

Are your ready to ‘Tighten the Links in Supply Chain?™’

are here and ready to help. Contact us for a free consultation about your forecast accuracy and inventory management opportunities. You can also request a demo and see how things can really start to improve in your business in 90 days.