# SUPPLY CHAIN FORECAST ACCURACY
## 50% REDUCTION IN FORECAST ERRORS

## PROBLEM

A global manufacturer of key components used for underground power and data signals distribution was on the verge of bankruptcy and needed to improve its cash situation. A specific challenge related to poor forecast accuracy for their factories was observed. Data analysis determined monthly forecast inaccuracy exceeded 22% resulting in dissatisfied customers and lost sales.

## OBJECTIVE

Increase monthly forecast accuracy by 12% in 6 months; reduce slow/dead inventory worldwide by $240M in 12 months.
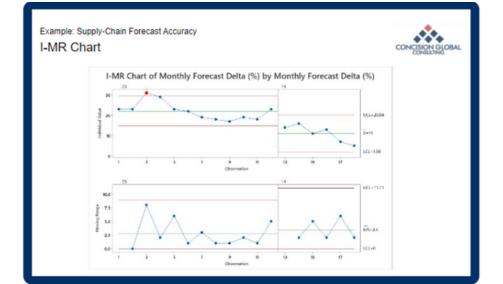
## ROOT CAUSE

- Poor process controls (regional distribution managers called their friend at the factory for rushed new orders)
- Supply and demand planners used two different forecast formulas
- Poorly executed SKU life-cycle management process

## SOLUTION

Standardized supply and demand planning on a single MAPE forecast process; eliminated unplanned production runs at all factories and put in place a dashboard for SKU profitability optimization.

## RESULT

Forecast inaccuracy shrank from 22%+ to 14% within 4 months, hitting 11% within 6 months; slow/dead inventory reduced over $170M in 10 months, target exceeded at 13 months.

Example: Supply-Chain Forecast Accuracy
I-MR Chart

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I-MR Chart of Monthly Forecast Delta (%) by Monthly Forecast Delta (%)