# ADVANCED FORECASTING & PROCUREMENT for DISTRIBUTION

## Advanced Forecasting and Procurement (AFP)

As a distributor your largest and most costly asset is inventory. Reducing inventory carrying cost and increasing margins can have a greater effect on the bottom line than increased sales. By doing both you will significantly increase profitability.

Improving your inventory position and procurement methodology can free up highly valued cash, and improve your customer service levels at the same time.

## Built Inside Microsoft® Dynamics™ NAV

AFP is built inside Dynamics NAV, and takes a unique approach of incorporating vital forecasting and replenishment functions inside a single system, providing "Total Access to Data".

## Forecast Input

Any forecasting tool is only as good as the accuracy of the historical data used to derive its forecast. AFP provides several ways to improve the accuracy of historical data:

- Filtered Usage – Only sales that are expected to reoccur should be considered as historical input for the forecast.
  - One-time sales can be flagged by the customer service person and excluded from usage.
  - Unusual usage is flagged by the system to provide the user a means of adjusting abnormalities.
- Smoothed Usage – Irregular usage can be automatically smoothed to improve usage patterns.
- Redirected Usage – Usage history from discontinued items can be reassigned to new items.
- Cloning – A percentage of Historical Usage can be cloned from an existing item to a new item. This allows you to forecast new items without waiting for historical usage to accumulate.
- Collaborative Input – Input from large customers who will share their expected buying patterns can be included.

## Best-Fit Forecast Method

AFP Forecasting uses a Best-Fit Formula approach to ensure that the very best formula is automatically assigned to each item in each warehouse. The result is an extremely accurate 12- to 15-month forecast.

## Forecast View

The 12-month forecast is presented with drill-down capabilities to allow the user to view the details of the forecast input, as well as the calculations used. In addition, the forecast is compared to the time-phased expected inventory and then utilized to predict the expected inventory level for any point in the future.
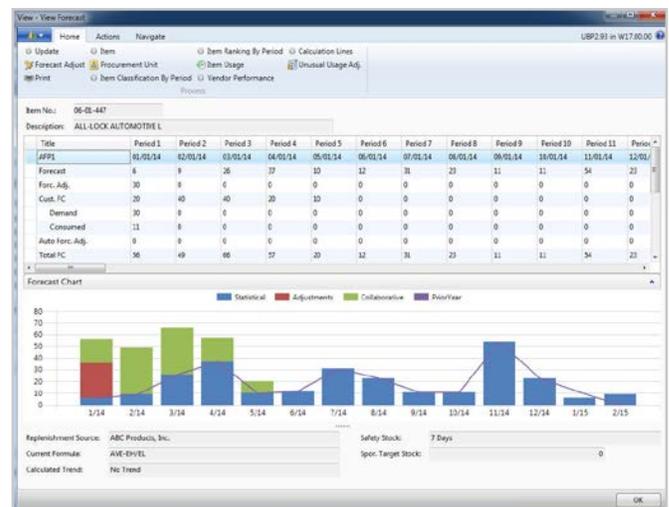


## Collaborative Forecast

Many times it is important to collaborate with your large customers relative to their expected purchases.

The collaborative forecast provides the user with a tool to import customer-provided forecasts and make them part of the overall forecast. In addition, AFP can use the forecasting engine to create a forecast specifically for a customer and export it to Excel. This provides the customer with input and also allows him to change the projections and return them to you for re-import into the system.

The collaborative forecast can be a valuable tool to improve the total forecast accuracy, but it is only valuable if it is more accurate than the statistical forecast. For this reason, the collaborative forecast is compared to actual to determine its accuracy.

## The Total Forecast

The total forecast is made up of the following:
- Statistical formula-based forecast
- Adjustments to the statistical forecast, including promotions
- Collaborative forecast

## Forecast Summary

The forecast can be rolled up based on the categories you select, and can be presented in quantity, cost, or price. Adjustments made to any of the forecast summary levels can then be applied as individual adjustments to each item in that level.

## Adjustments

Adjustments made to any portion of the forecast are always noted by user and are available for reference.

## Promotions

Promotions are initially used to increase the future forecast to ensure that adequate inventory will be available for the anticipated sales. These promotions usually increase sales, but sometimes their historical usage serves as a source of future forecast errors. AFP separates the usage created by promotions and provides the user with suggested adjustments to remove the effects of the promotion from historical usage.

## Vendor Collaboration

Vendor Collaboration creates a collaborative forecast for you to provide to your suppliers. The collaborative forecast shows your anticipated demand of the products that vendors will supply to you over the coming months.

## Replenishment

Even a forecast that is 100% accurate does not solve the entire inventory management problem. Stocking levels, long and short lead times, unanticipated demand, surplus inventory, excess inventory, dead stock, late and early purchase orders, kits, and branch replenishment are only a few of the issues that must be handled each day. AFP places as much emphasis on replenishment as it does on the forecast. Creating an accurate forecast and coupling it with sound replenishment principles increases the effectiveness of both tools.

## Distribution Requirements Planning (DRP)

In a multi-warehouse environment, it is very important to deploy your inventory in the right warehouse with the right quantities, based on their respective forecast and time-phased expected inventory.

This DRP functionality, available in AFP, handles both hub-and-spoke replenishment through the replenishment path, as well as the balancing of inventory across the supply chain.

## Suggested Order

The suggested order is automatically created for each vendor during the overnight process. Buyers then review the suggested orders with access to all the calculations used to make the suggestion.

Using this information, the user can make changes to the suggested order, if necessary, before creating a purchase order. As the purchase order is created, the suggested order is also saved along with all information that was used to make the recommendation.
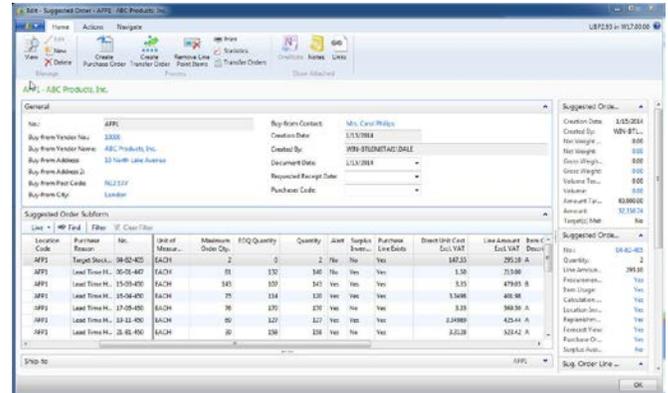


## Surplus and Excess Inventory

The system reviews inventory levels in other warehouses for all the items being suggested for order. If a surplus is found in another warehouse, the user is notified, and a transfer can be created instead of purchasing more inventory from the vendor.

## Reducing Inventory

All of Advanced Forecasting & Procurement's strong methodologies work to provide the most accurate forecast and replenishment plans available today. The net result is a reduction in inventory, while maintaining or improving customer service levels. Surplus inventory is reduced, and dead stock is identified and can be eliminated. Many companies currently using AFP enjoy the efficiencies this provides and the cash it frees up to fund further growth.

## Alerts

Alerts support management by exception. You are notified of situations before they become a problem. For instance, possible stock-outs within lead time, or late purchase orders trigger alerts.

## Containerization

Containerization enables the user to create multiple purchase orders from a single suggested order, one purchase order per container. An option exists to split a line between two or more containers to maximize loading. You can also put multiple suggested orders (vendors) into a single container. Once the container is initialized, you can change quantities or move an item from one container to another.

## Complete Visibility

When reviewing the suggested order you have access to:
- Detailed Sales History by Period
- Total Forecast Detail
- Time-Phased Expected Inventory
    - On-hand inventory
    - Open sales orders
    - Purchase orders
    - Warehouse transfers
    - Kit components
- Surplus and Excess Inventory in all warehouses
- Replenishment path of each item
- Detailed calculation lines for each item

## AFP Software Modules

| Module Description | Module Number |
|---|---|
| **AFP Basic** <br> *Required | 14000370 |
| **AFP Collaborative Forecasting** | 14000510 |
| **AFP Advanced Forecasting** <br> *Required | 14000520 |
| **AFP Production Forecasting** | 14000530 |

## About the Developer

Lanham Associates® provides business value to middle market distributors through best-of-breed supply chain solutions, available directly inside Microsoft Dynamics NAV.

Experts in NAV and distribution right from the start, Lanham prides itself in creating and implementing quality software that improves customers' business processes by streamlining operations, cutting costs and increasing overall productivity. Uniquely, Lanham solutions allow users to keep all of their data right at their fingertips in NAV. No tedious customizations or integrations with external sources. No new user interface to learn. Just best-of-breed solutions built to run inside your business system. It's seamless simplicity at its best, and it's reflected in all of Lanham's offerings:

ACE – Advanced Commerce ERP; AFP – Advanced Forecasting and Procurement; ACE Warehousing; Outbound Warehouse Request; Lanham EDI; E-Ship; E-Receive; Credit Card Processing; and History Management.

***Lanham Associates: Seamless Simplicity for the Complex Side of Your Supply Chain.***

## Contact Information

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## Additional Resources

**Absolute Value™**
Through its sister company, Absolute Value, LLC, Lanham also offers an ERP-independent forecasting and replenishment solution for distributors and manufacturers. Absolute Value is a world class, formula-based forecasting and multi-site replenishment solution designed to enable distributors to increase profits and improve customer service levels with unprecedented visibility to inventory. The product is available in a SaaS or On-Premise format and can be used with most ERP systems.

For more information on Absolute Value, contact:
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Please visit: www.lanhamassoc.com or www.absolutevalue-us.com for additional product information.

Microsoft Dynamics NAV

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