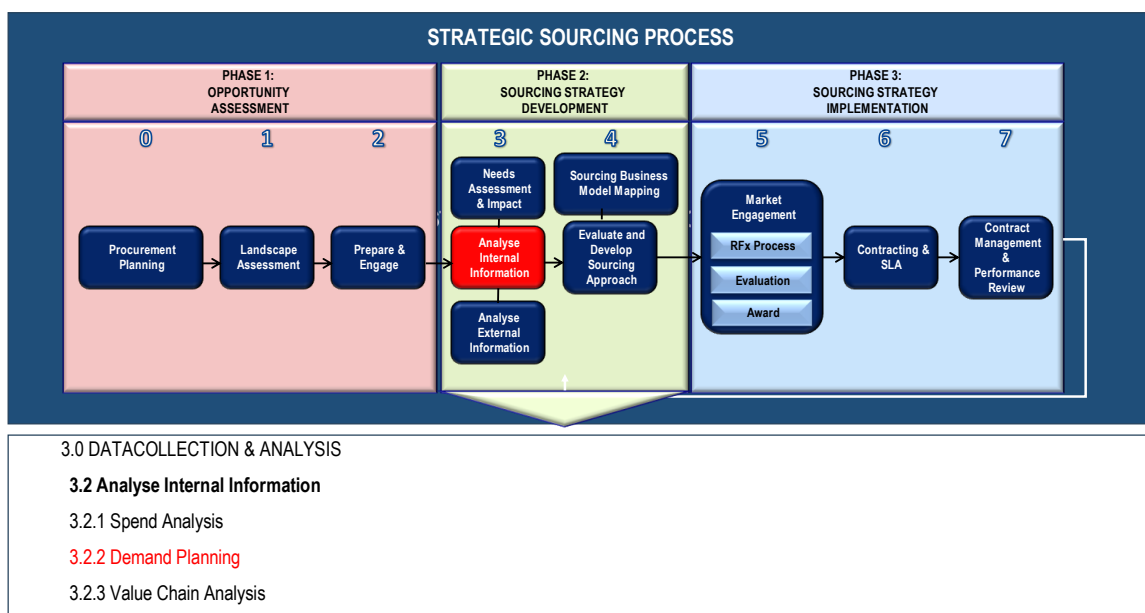


**Using this guide**

This guide accompanies the National Treasury's Strategic Procurement Framework (SPF) for Strategic Sourcing in the Public Sector. For more information, visit the National Treasury website at <http://ocpo.treasury.gov.za/>

The SPF can be found here:

[http://ocpo.treasury.gov.za/Resource\\_Centre/Documents/1A.%20Strategic%20Procurement%20Framework.pdf](http://ocpo.treasury.gov.za/Resource_Centre/Documents/1A.%20Strategic%20Procurement%20Framework.pdf)

**DEMAND PLANNING****1.0 Introduction**

- i. Demand planning includes applying forecasting techniques in ascertaining the institution's requirements.
- ii. The following good practice guides and templates are applicable when conducting demand planning:
  - a. Forecasting techniques
  - b. Road map to demand management (template)

**1.1 The objective**

- i. To look ahead and clearly understand what types and amounts of items or services your organisation needs. This ensures that business needs and service delivery goals can be met and that resources are not being wasted.

**1.2 Output**

- i. A complete demand forecast

**2.0 Good practice guides****2.1 Forecasting techniques**

- i. Many different techniques and methods can be applied when forecasting.
- ii. The techniques and methods applied are usually informed by the function of the organisation as well as the type of commodities procured.
- iii. Planning for the future is key to managing the organisation. Long-term success is closely aligned to how well it is managed, the ability to predict its future and to develop appropriate strategies to deal with possible future developments.
- iv. Poor forecasts or estimates lead to poor planning, which results in increased and/or additional costs to the organisation.
- v. Demand forecasting is the activity of estimating the quantity of a product or service that end-users will purchase.
- vi. Demand forecasting involves both informal methods, such as educated guesses, and quantitative methods, such as the use of historical data or current data.
- vii. Demand forecasting may be used in making price decisions, assessing future needs, or making decisions on whether to provide for inventory or warehousing facilities.
- viii. More information regarding the specific forecasting techniques can be found at:  
[http://en.wikipedia.org/wiki/Demand\\_forecasting](http://en.wikipedia.org/wiki/Demand_forecasting)

| Methods that rely on qualitative assessment   | Methods that rely on quantitative data   | Some other methods  |
|---|--|---|
| <ul style="list-style-type: none"> <li>• Forecasting demand based on expert opinion</li> <li>• Unaided judgment</li> <li>• Prediction market</li> <li>• Delphi technique</li> <li>• Game theory</li> <li>• Judgmental bootstrapping</li> <li>• Simulated interaction</li> <li>• Intentions and expectations surveys</li> <li>• Conjoint analysis</li> <li>• Jury of executive method</li> </ul> | <ul style="list-style-type: none"> <li>• Discrete Event Simulation</li> <li>• Extrapolation</li> <li>• GMDH</li> <li>• Reference class forecasting</li> <li>• Quantitative analogies</li> <li>• Rule-based forecasting</li> <li>• Neural networks</li> <li>• Data mining</li> <li>• Casual models</li> <li>• Segmentation</li> </ul> | <ul style="list-style-type: none"> <li>• Time series projection methods this includes: <ul style="list-style-type: none"> <li>• moving average method</li> <li>• exponential smoothing method</li> <li>• trend projection methods</li> </ul> </li> <li>• Casual methods this includes: <ul style="list-style-type: none"> <li>• chain-ratio method</li> <li>• consumption level method</li> <li>• end use method</li> </ul> </li> </ul> |

**Table 1: Forecasting Techniques**

*GMDH in the diagram stands for group method of data handling in conducting research*

## 3.0 Templates

### 3.1 Road map to demand management

| ROAD MAP TO DEMAND MANAGEMENT       |   |   |  |   |
|-------------------------------------|---|---|--|---|
| Step 1                              | Step 2  | Step 3  | Step 4   | Step 5  |
| Identify need                       | Plan for need   | Prepare docs  | Bid Specification Committee (BSC)  | Approach market   |
| WHO                                 | WHO   | WHO   | WHO  | WHO   |
| Budget holder                       | Line function (Lead)<br>SCM (Support)<br>Local Economic Development (LED) | SCM (Lead)<br>Line function (Support)                           | SCM (Facilitate)<br>Line function (Lead)<br>Technical, Finance and Legal (Support) | SCM (Lead)<br>Line function (Support)   |
| WHEN                                | WHEN  | WHEN  | WHEN   | WHEN  |
| During budget process               | Date as per PP, except for Emergency and Ad-Hoc                           | Date as per PP  | Approval date of RFP   | Date as per BSC minutes   |
| Portfolio of evidence               |   |   |  |   |
| 1. Annual Performance Plan (APP)    | 4. Tender strategy  | 11. Tender cover page   | 20. Appointment letters of BSC   | 26. Advertisement (Website/ CIDB/ Notice Boards/ Newspaper/ CSD/ Gov Gazetter/ eTender) |
| 2. Budget Implementation Plan (BIP) | 5. Specifications/TOR   | 12. Tender index  | 21. Members' declaration of interest   | 27. Bid register  |
| 3. Procurement Plan (PP)            | 6. Risk considerations  | 13. Tender documentation  | 22. Agenda   | 28. PAA register  |
|                                     | 7. Contract considerations  | 14. SBDs/GCC/CIDB   | 23. Minutes (BSC and BAC)  | 29. Bid file  |
|                                     | 8. Special conditions/Min specs   | 15. Form of offer   | 24. Updated tender documentation pack (BAC minutes)                                |   |
|                                     | 9. Functionality adjudication criteria and weights                        | 16. Explanation of procurement process (evaluation methodology) | 25. Signature of award structure   |   |
|                                     | 10. Request for Tender (RFT)  | 17. Enquiries (Site clarification meetings)                     |  |   |
|                                     |   | 18. List of returnable documents                                |  |   |
|                                     |   | 19. Draft advertisement   |  |   |

**Table 2: Roadmap to Demand Planning**