Demand Analysis

You would use this approach to understand patterns in your sales and use these to your advantage.

Projected performance gains

Improved

- Profitability — by taking advantage of regular selling products or services and deciding what products/services to sell and which to potentially stop selling.
- Understanding — of where the majority of your income comes from.
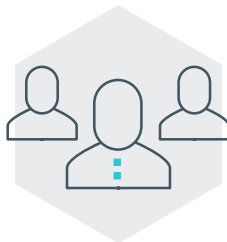
What investment is needed to understand the concept?

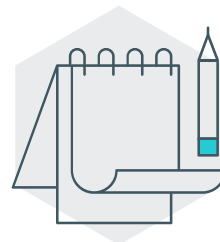**DIFFICULTY**

Medium

Requires some knowledge of Microsoft Excel

ACTIVITY

Individual

The task can be completed by you or a member of your sales team

EQUIPMENT

Computer

With Microsoft Excel software

For more advice, case studies and additional factsheets visit: **www.businessgrowthhub.com/manufacturing**

Explanation of the concept

When most companies analyse their past sales demand, they will see that around 80% of revenue, comes from 20% of the products/services offered. Lucas Industries recognised these sales patterns in the 1980s within their automotive businesses, and came up with the Runners, Repeaters and Strangers concept.

They saw that high running (Runner) products/services and regular (Repeater) products/services had very predictable demand, but low running (Stranger) products/services sales were very hard to predict. They also understood that Strangers caused the organisation most of their headaches and issues.

Where possible, they tried to dedicate equipment and people to the Runner and Repeater products/services, and eliminate Stranger products/services from their range.

By following this approach, Lucas were able to "calm down" their manufacturing operations and make more profit. They focused on the Runner and Repeater products

Runners - a product that is sold and made every month

Repeater - a product that is made and sold at least every other month

Stranger - a product that is made and sold less than six months of the year

PART NUMBER	TOTAL FOOTAGE	% OF TOTAL	CUM % OF TOTAL
AW7510011N	788,000	5.88%	6%
MO4350009N 36	621,000	4.64%	11%
VC3240004B TW 530	440,000	3.28%	14%
MO4330014N	439,000	3.28%	17%
MO4330006N 36	318,600	2.38%	19%
MO4350002N 36	280,800	2.10%	22%
MO4350008N 36	267,300	2.00%	24%
MO4350008N ****	250,000	1.87%	25%
MO4350010N ****	220,000	1.64%	27%
EX900-GP 0363B	202,500	1.51%	29%
AW7510000B ****	191,000	1.43%	30%
MO4350002N ****	178,000	1.33%	31%
ER5650009B	172,000	1.28%	33%
...	...	...	...
HT210000N 36	21,600	0.16%	79%
MO4350016N	21,500	0.16%	79%
HT2100008N	21,250	0.16%	79%
MO4330014N	21,000	0.16%	79%
BD4350001N	21,000	0.16%	79%
BD4350012N	21,000	0.16%	79%
EX900-QX 0643C	21,000	0.16%	80%
...	...	...	...
FS5650004V	4,750	0.04%	95%
HT2100002N 18	4,725	0.04%	95%
FS5640004B 2.75	4,583	0.03%	95%
BD4320625R 36	4,500	0.03%	95%
BD4330014B 36	4,500	0.03%	95%
BD4330014N 36	4,500	0.03%	95%
...	...	...	...
FS5630001N	100	0.00%	100%
FS5650750B	100	0.00%	100%
FS5651000V ****	100	0.00%	100%
VC3231250B	100	0.00%	100%
TOTAL FOOTAGE	**13,397,013**	**100.00%**	

Demand Analysis

Factsheet 24

What action should I take?

1.

Extract into Excel at least one year of past sales data – Part Number, Date sold, Quantity sold, Value of sale

2.

Use Excel Pivot Tables to extract the Runners, Repeaters and Strangers data
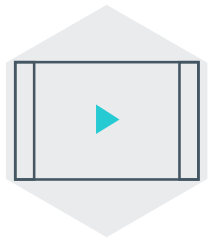
3.

Use the data to help improve your decision making within the business in terms of what to focus your resources on

Recommended resources

Glenday. I, (2005) Breaking Through to Flow, Lean Enterprise Academy Ltd
ISBN: 978095517302

Lean Manufacturing Terms: YouTube:
https://www.youtube.com/watch?v=w8BPr755IyU

Create a pivot table and analyse your data:
https://support.office.com/en-us/article/Video-Create-a-PivotTable-and-analyze-your-data-7810597d-0837-41f7-9699-5911aa282760

Glossary

Lucas Industries: A large, global supplier to the Automotive industry

Runner: A product that is made and sold every month

Repeater: A product that is made and sold at least every other month

Stranger: A product that is made and sold less than 6 months of the year

Pivot Table: A function within Microsoft Excel which allows large amounts of data to be easily manipulated and analysed

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