Employing Demand Forecasting solutions

Enhancing the forecasting accuracy

Problem Statement

Client is one of the product manufacturing firms in the USA and is challenged with very high forecast inaccuracy~ 30-40% at monthly and yearly levels. This was causing a big variation in their supply chain processes as there were occurrences of excess stock and stockout situations in Finished Goods. The client was keen on developing a comprehensive Demand Forecasting solution to enhance the forecasting accuracy so that right order/product is produced and delivered in time.

Solution Approach

1. Detailed understanding of forecasting and demand planning processes
2. Critical evaluation of findings from As-Is analysis and identification of right KPIs for measuring forecasting performance
3. Preparation of input data sets for the forecasting model and tool compliant data templates
4. Creation of customized forecasting models based on application of standard scientific forecasting algorithms to study the output of forecast model
5. Apply macro economic aspects in the forecasting model to capture economic, industry and competition trends
6. Segmentation of SKUs basis causal variable characteristics grouping
7. Scenario planning to establish forecasting logic for key business cases
8. Documentation of forecasting methodology
9. Run the pilot with the defined planning processes, rules and models
10. Refinement of forecasting model based on past data

Outcomes Delivered

– This led to a realization of business benefits and enhancement in process parameters
– Improvement in Forecast accuracy ~ 25%
– Potential improvements in inventory turns & on time deliveries
– Enabling the future growth in the business