THE BENEFITS OF
DEMAND FORECASTING

Article from Revalsys Technologies

This article explains about
the benefits of
demand forecasting

The success of a business and its products depends on the satisfaction of customer demand. A product is said to have demand when its buyer is willing to buy it and able to pay for it. Demand forecasting is a process that involves gaining an understanding of the past and present buying behaviours of customers and predicting their future behaviour. This process helps businesses to accurately estimate the amount of stock they will need. Forecasting can be used by all businesses irrespective of their size and industry.

Ways In Which Demand Forecasting Can Help Your Business

Formulating A Budget

Budgeting is important for meeting your company's goals within a specific period of time. Demand forecasting will help you to create a budget and stick to it so that you don't overspend or underspend on inventory and warehouse space. Forecasting will also help you to avoid last-minute spending, stay organised, and spend money where your business needs it the most to ensure its growth.

Cutting Down On Warehousing Expenses

When you produce products without knowing their demand, you end up wasting money on their storage space, and in turn paying unnecessary maintenance charges for the warehouse, like electricity, rent, cleaning, security, etc. Using demand forecasting, you can know when the demand is high for your product. This will help you to design an efficient warehouse layout and store only the required amount of inventory.

Saving Staffing Costs

Storing excess inventory will result in hiring and paying for the staff you won't need. As mentioned above, demand forecasting lets you know the peak times for the sales of your products. Using this information, you can employ adequate production and warehouse staff to ensure timely delivery and customer satisfaction.

Creating An Appropriate Pricing Strategy

Demand forecasting isn't just useful for planning inventory. Having an understanding of the demand for your product also helps you to come up with an appropriate price for it. Price is the first thing that customers consider before purchasing a product. Even a small change in the price of a product can make a huge difference to its demand. For example, if you are looking to clear out your old stock for a new season's stock, you can have a clearance sale on the old stock at a discounted price to increase its sales. If you have a product that is in high demand with limited supply, raising its price can lead to an increase in your revenue.

Reducing Backorders And Increasing Customer Retention

Backorders happen when there is a mismatch between the demand and the supply of a product. Unlike out-of-stock products that are taken off the products lists of companies and never restocked, backordered items are those that are only temporarily out of stock and can be seen in the list of products. Backorders result in dissatisfied and lost customers, who will go to your competitor. Demand forecasting can help you in reducing backorders.

Gauging And Improving Company Performance

It is important for companies of all sizes to track their performance. Demand forecasting lets you know which aspects of a product are working well and which ones need improvement. Using this data, you can make modifications to your product to improve its user experience, improve your marketing strategy, and compare and match product supply with its demand.

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