

Demand planning & forecasting in consumer products

How to improve forecast accuracy and reduce inventory risk





Introduction

Few challenges have a greater impact on profitability than getting demand wrong. Forecast too high and inventory levels rise, working capital becomes tied up, warehouse costs increase, and products risk becoming obsolete before they're sold.

Forecast too low and the consequences can be equally damaging. Stock shortages, missed sales opportunities, frustrated customers, and strained retailer relationships can quickly undermine business performance. For consumer products organisations, demand planning has never been more challenging.

Consumer behaviour shifts rapidly. Promotional activity creates spikes in demand. New product launches introduce uncertainty. Economic factors, seasonality, and changing market trends can all influence buying patterns with little warning. In this environment, accurate forecasting is no longer simply a planning exercise. It has become a critical business capability.

This guide explores the factors that influence forecast accuracy, the common obstacles facing consumer products organisations, and practical strategies for building a more responsive and resilient planning process.

Why forecast accuracy matters

Demand forecasts influence almost every operational decision within a consumer products business. They impact:

- Production planning
- Inventory management
- Procurement activity
- Distribution operations
- Resource allocation
- Financial planning
- Customer service

When forecasts are inaccurate, the effects are often felt throughout the organisation. A small forecasting error can create a chain reaction that affects suppliers, manufacturers, distributors, retailers, and ultimately consumers. The challenge isn't just predicting future demand. It's ensuring the business can respond effectively when reality differs from expectation.

The cost of getting it wrong

Many organisations underestimate the true cost of poor forecasting. The most visible consequences include excess stock and stock shortages, but the wider impact often extends much further. Common outcomes include:

- Excess inventory
- Holding too much inventory can lead to:
 - Increased storage costs
 - Reduced cash flow
 - Higher waste levels
- Product obsolescence
- Lower profitability
- Stock shortages

When demand exceeds forecasts, businesses may experience:

- Lost sales opportunities
- Reduced customer satisfaction
- Retailer frustrations
- Increased operational pressure
- Operational inefficiencies

Inaccurate forecasts create instability across the supply chain, making it more difficult to plan production, procurement, and logistics activities effectively.

Reduced confidence



When forecasts are consistently inaccurate, teams often lose confidence in planning processes and begin creating their own assumptions and workarounds. Over time, this can introduce even greater inefficiencies.

Why demand planning has become more difficult

Consumer products organisations are operating in a marketplace that is constantly evolving. Today's planning teams face challenges including:

Rapidly changing consumer preferences

Shorter product lifecycles

Increased channel complexity

Promotional volatility

Supply chain disruption

Economic uncertainty

Seasonal fluctuations

Competitive market pressures

Historical sales data remains valuable, but it is often no longer sufficient on its own. Modern demand planning requires organisations to incorporate multiple sources of information and remain responsive as conditions change.

The five foundations of effective demand planning

1. Align sales, supply chain and operations

One of the most common causes of forecasting inaccuracy is a lack of alignment between business functions. Sales teams often have visibility into customer activity. Supply chain teams understand operational constraints. Operations leaders focus on capacity and performance.

When these groups work independently, forecast quality often suffers. Successful organisations encourage collaboration across functions and create regular opportunities to review assumptions, discuss risks, and align priorities. Improved communication typically leads to improved planning.

2. Use data more effectively

Consumer products businesses generate vast amounts of information. This data can provide valuable insight into demand patterns when used effectively.

Examples include:

Historical sales trends

Promotional performance

Customer purchasing patterns

Inventory movements



Market intelligence
Retailer feedback

The goal isn't simply to collect more information. It's to turn information into actionable insight that supports better decisions. Data should help planners understand not only what happened, but why it happened.

3. Build agility into the planning process

No forecast will ever be perfect. The most successful organisations recognise this and focus on improving their ability to respond quickly when conditions change.

Agile planning allows teams to:

Adjust production schedules
Reallocate resources
Respond to demand spikes
Manage supply constraints
Reduce excess inventory

Rather than treating forecasts as fixed commitments, leading organisations view them as dynamic tools that evolve as new information becomes available.

4. Improve cross-functional visibility

Strong planning depends on visibility. Decision-makers need access to timely information across the value chain.

This includes visibility into:

Demand trends
Inventory levels
Supplier performance
Production capacity
Customer requirements

When information is fragmented across multiple systems or departments, planning becomes slower and less reliable. Improved visibility supports faster and more informed decision-making.

5. Create a culture of continuous improvement

Forecast accuracy should not be viewed as a one-time objective. High-performing organisations continually review and refine their planning processes. They regularly assess:

Forecast performance
Planning assumptions
Process effectiveness



Market changes

Customer behaviour

Even small improvements in accuracy can have a significant impact on operational performance and profitability.

Sales and operations planning: Bringing the business together

Many consumer products organisations have adopted Sales and Operations Planning (S&OP) processes to improve alignment. At its simplest, S&OP brings together commercial, operational, and financial teams to establish a shared view of future demand. This helps organisations:

Improve forecasting accuracy

Balance demand and supply

Align resources

Manage risk

Support strategic decision-making

The most effective S&OP processes create a single version of the truth across the organisation. When everyone is working from the same assumptions, decisions become easier and execution becomes more consistent.

Forecasting new product launches

New product introductions present a unique forecasting challenge. Without historical demand data, organisations often rely on assumptions, market research, or comparable product performance.

Common risks include:

Overestimating demand

Underestimating retailer uptake

Supply shortages

Excess inventory

Successful organisations treat launch forecasts as living documents and review them frequently as real-world demand data becomes available. Flexibility is often more valuable than precision during the early stages of a product launch.

Managing promotional volatility

Promotions remain one of the biggest drivers of forecasting complexity. Campaigns can dramatically influence demand, making historic sales patterns less reliable. Without effective planning, promotions can lead to:

Stock shortages

Excess inventory after campaigns end



Increased operational pressure
Reduced customer satisfaction

Leading organisations build promotional planning directly into their forecasting processes and work closely with commercial teams to understand expected impacts. The earlier planning teams are involved, the better prepared the wider supply chain can be.

Inventory optimisation starts with better forecasting

Inventory is one of the largest investments many consumer products businesses make. The relationship between forecasting and inventory performance is direct.

Improved forecast accuracy can contribute to:

Reduced stockholding
Lower working capital requirements
Improved availability
Better warehouse utilisation
Reduced waste

Inventory optimisation is often viewed as a supply chain challenge. In reality, it frequently begins with improving forecast quality.

The role of technology

Modern planning tools provide organisations with greater visibility, forecasting capability, and analytical insight than ever before. However, technology alone does not solve forecasting challenges.

Successful organisations combine:

Quality data
Strong processes
Functional collaboration
Experienced planners
Effective technology

The best results are achieved when technology supports better business decisions rather than attempting to replace them.

Measuring forecast performance

Improvement requires measurement. Consumer products organisations should establish clear metrics that help assess forecast performance over time.

These may include:



Forecast accuracy
Forecast bias
Inventory turns
Service levels
Stock availability
Demand variability
Write-offs and waste levels

Tracking these measures helps identify improvement opportunities and provides greater visibility into overall planning effectiveness.

What leading consumer products organisations do differently

Across the industry, successful organisations often share a number of characteristics. They:

Encourage cross-functional collaboration.
Invest in quality data.
Challenge assumptions regularly.
Improve visibility across the supply chain.
Review forecasts continuously rather than periodically.
Treat forecasting as a strategic capability rather than a purely operational task.

Most importantly, they recognise that forecasting is not about predicting the future perfectly. It is about making better decisions with the information available today.

Final thoughts

Demand planning sits at the heart of every consumer products organisation. When forecasting is effective, inventory levels improve, customer service strengthens, operational efficiency increases, and business performance becomes more predictable. When forecasting is weak, the consequences can ripple across the entire value chain.

While uncertainty will always exist, organisations that invest in stronger planning processes, better data, improved visibility, and closer collaboration are better equipped to respond to changing demand and reduce inventory risk.

In today's marketplace, forecasting is no longer simply about anticipating what customers might buy. It's about building the agility and resilience needed to succeed when markets inevitably change.

About TCT

At TCT, we help consumer products organisations improve planning performance and operational decision-making throughout complex transformation programmes. From operational readiness and supply chain optimisation to SAP-enabled planning



capabilities and programme assurance, we work alongside business leaders to help turn data into action and strategy into measurable results.

Looking to improve forecast accuracy and reduce inventory risk? Speak to TCT about creating a planning framework that supports better business outcomes and a more resilient supply chain.



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