



Forecasting versus Demand Management

Although terms would not literally decide the future of a company, some terms might have a big impact on the company's profit. One such term is demand management that is rarely used in our local firms. Forecasting is the only term used when sales are mentioned which needs to be abandoned for demand management. Thinking demand management is a necessity to synchronize sales, operations, procurement and financial plans.

For the majority of the local firms that we had to improve its sales, it is noticed that only the sales department is the one responsible for setting forecasts. Very often, sales personnel are given the privileges of giving quantity discounts, loosening credit terms...etc. An increase in sales and revenue might be offset by an increase in operational costs as procurement, financial and operations departments are not consulted before getting into any sales adventure. Companies having marketing departments might cause the problem to aggravate if promotions and advertising timings don't consider other internal departments.

A real shift should take place in companies profit and operations if companies think demand management rather than forecasting. Some of the reasons behind this shift could be summarized as follow:

1. The word *management* in the term demand management has many indications. First, demand management is a process that entails planning, execution and monitoring. Setting Key Performance Indicators KPIs is a necessity that if being well chosen, it would improve internal processes' synchronization. Second, as a process it could be subject to Continuous Process Improvement CPI initiatives.
2. Getting other departments into the process would make the company think profit instead of revenue alone. Procurement and operations departments might decide the timings of promotions while financial department needs to be consulted about credit terms and cash flow problems.
3. Better understanding about the market behavior could be reached as more emphasis is thrown on minimizing the gap between forecasts and achieved levels of sales.

Finally, to initiate such a shift, we recommend watching the number of times that the term demand management is used versus forecasting. If forecasting is mentioned once; demand management should be mentioned 10 times.