

**CLASSIFICATION BASED FORECASTING FOR IMPROVED INVENTORY MANAGEMENT**

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[dx.doi.org/10.18374/IJSM-13-1.13](http://dx.doi.org/10.18374/IJSM-13-1.13)

**ABSTRACT**

Performance of inventory management depends on the accuracy of demand forecasting. There are many techniques used for forecasting demand in retail sale. Advances in data mining application systems have given rise to the use of business intelligence in various domains of retailing. The current research captures the knowledge of classification of the customers using the purchase-based data of customers for improved forecasting. The model developed in this work suggests a technique for forecasting of demands which results in improved performance of inventory. The suggested forecasting model with the inventory replenishment system results in the reduction of inventory level and increase in customer service level. Moreover, the model makes use of purchase driven information instead of customers' demographic profile or other personal data for developing the decision tree for forecasting.

Keywords: *Forecasting, Inventory, data mining, classification.*