

# Reasons for undertaking forecasts essay



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In any business, it is important to meet market demand if a business is to maintain customer loyalty. If a business cannot meet this demand, it loses the customers to competitors.

In order to be able to meet the market demand, the management should predict future market trends in order to be able to adjust its inventory according to the future demand (Vashisht 2005: 50-62). This information is subsequently communicated to suppliers, who also adjust the orders by the retailer. In case a retail outlet does not undertake accurate market predictions, there may be a sudden rise in demand, which it may be unable to satisfy.

This is due to the reason that suppliers are not aware of the increased demand, and may not be able to transport the products on time. The products may also be out of stock, and failure to meet market demand will make customers go to competitors. Forecasting helps prevent this problem by ensuring that adequate stocks to meet future demand are present, or can be easily acquired.

Losses due to wastage. Forecasting as previously stated, helps businesses prepare for acquisition of future optimal stocks.

In case there is a future change in demand, forecasting helps the retail businesses predict this and make the necessary adjustments (Lambert 2008: 190-195). This prevents businesses from stocking products which will not be bought by the market, leading to wastage. This is very important in the retail food industry since it deals with perishables, which cannot be stored for a long time.

Financial performance. In a dynamic and unstable industry like the retail food industry, it is very important to undertake environmental forecasting.

This industry is affected by many factors including the weather and economy, which can make product prices rise very rapidly. It is therefore important that retailers make predictions which will enable the business maintain profits through keeping optimal levels of stock. Keeping excess stock, in addition to facing wastage, it also ties down capital which could be used for further investment opportunities.

On the other hand, keeping inadequate stock damages the goodwill of the business, which negatively affects sales and profits. Forecasting can therefore be said to contribute to the favorable financial performance of retail food companies.

Summary and conclusion. It has been seen that forecasting is very important, not only to retail food outlets but also to other businesses. Forecasting has direct influences on financial performance of businesses, since it affects goodwill of customers and capital available. It is important for retail food outlets to perform extensive research in order to come up with accurate forecasts, since they deal with perishable products.

Finally, all decisions regarding the future business operations should only be made after carefully studying future market trends.

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