

Consider the
importance of
forecasting for the
global supply chain of
a retail fo...

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Forecasting is a management planning tool which is aimed at coping with future uncertainties, depending mostly on data of past and present as well as trend analysis (Chopra & Meindl 2010). The core characteristics of today's forward looking supply chains is flexibility and agility which utilises forecast, as one of the most enhanced planning systems of supply chain strategies to provide the needed capability to quickly respond to changes in situations which positions the agile supply chain profitably (Acar & Gardner, 2012).

Forecasting is a critical element in any organisations decision making processes since its accuracy helps organisations to opt for the appropriate actions pertinent to demand planning, promotion planning, new product launch and inventory management in order for the business to become efficient and lean. Hence organisations are now paying particular attention to how the quality of forecasting can be enhanced in order to increase the accuracy of its output (Acar & Gardner, 2012).

In so doing organisations must consider collaboration building with the entire supply chain in order to generate a more accurate forecast which will maximise the performance of the supply chain (Shu et al. , 2011). In a retail food company, it is essential to apply the appropriate storage procedures and inventory technique to be able to serve customers better, because of this, forecasting plays a critical role in the efficiency of the company.

Hence, forecasting in the retail food industry has become more challenging as result of price wars among competitors, uncertainty occurring from natural disasters, climate changes and epidemics (Hayya et al. , 2006). As a

retail food company based in UK, Tesco considers availability of product as naturally the main competitive drive to success in the retail food industry and with products of over 50, 000 on its shelves, 6 distinctive store formats and operating in 14 countries, establishing proper inventory could be very difficult.

A sales projection based on past patterns, which is classified as ‘ base-level’ forecast, is very complex. Tesco distribution network centres and advanced technology have been developed to uphold the modern and cost effective supply chain. The efficiency of the distribution system understands the product needs of every store. This is achieved in two methods, forecasting the preferences of the customers by employing refined, detailed models which considers variables for instance, seasonality, weather forecasts as well as responding to promotions.

The second deals with the automated system ordering, which helps in updating in real time on what customers really want to buy, in order to quickly and accurately provide stores with the right products at the right time. An improvement in the accuracy of sales forecasting by Tesco has enhance the availability of products for customers and decrease the supply chain cost. Tesco forecast accuracy is achieved by sharing valuable data beneficial to its entire supply chain via its web-based system known as TescoConnect to achieve an effective inventory system and lean supply chain.

By utilising the capabilities of IT in the forecasting and integration of its partners, it enables them to make each part of the supply chain process

productive. However, one of the challenges associated to supply chain is poor forecasting resulting in supply chain inefficiencies and lack of responsiveness which can create stock-outs in the shelves of Tesco.

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