

A SURVEY OF EXTENT OF USAGE OF FORECASTING IN FOOD INDUSTRY

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ABSTRACT

This research study investigates the extent of forecasting practices in the food industry in Midwest. The results show that qualitative techniques are used more frequently than quantitative techniques. Overall, forecasting in foodservices behind the other industries.

A survey was conducted on restaurants (excluding fast food) to provide an understanding of forecasting practices in the food service industry in a large state in the Midwest. The forecasting survey questionnaire was mailed to 300 food service operations (excluding fast food). The directories from Chambers of Commerce from 6 of the largest cities in that state were used to obtain samples for the study and the questionnaires were sent to managers responsible for forecasting. The mailings were followed by phone calls of non-respondents after two weeks to encourage their participation. An usable sample of about 60 percent was obtained. Among the respondents more than 60 percent had greater than 100 employees and the rest had at least more than 50 employees. More than 80 percent had revenue of over \$20 million and the rest had between \$10 and \$20 million. 70 percent in the sample were in the business for more than 20 years and the rest were in existence between 7 and 20 years. They were all located in metropolitan areas of more than 1 million people.

The survey showed 85 percent of respondents were very committed to effective forecasting. They all reported that a lower (65%) of the top managers were fully invested in the process and provided the necessary support. More than 50 percent found formal demand forecasting to be very useful. In the area of time horizon, while 70 percent used both medium-range and short-range forecasting, only 45 percent was reportedly using the long-range method. As to the preference for qualitative versus quantitative techniques, it revealed that the second method was more popular. Those who heavily use qualitative methods, basically use sales estimate from customers and some Delphi technique. For those who use quantitative techniques as the primary technique, market surveys and time series were the preferable ones. Very few utilized weighted average, exponential smoothing or regression. Finally, in reporting the effectiveness of their forecasting only 65 percent answered in the affirmative. Those who were not satisfied, pointed out the ineffectiveness due to inappropriate methods, lack of cooperation and poor communication. A significant number (30%) indicated lack of understanding and support for sophisticated quantitative method by the top management of the organizations.

In conclusion, this survey was conducted to examine current forecasting practices in the food service industry in a large state in the Midwest. Quantitative forecasting was found to be used more than qualitative forecasting. Results from the study showed lack of cooperation, poor communication and most importantly improper forecasting techniques as the main reason for inaccuracies. It appears that in contrast to previous studies more quantitative techniques are used in the service industry. There is a clear shift from using qualitative judgments to robust quantitative techniques. Top managers are more willing to invest in hiring forecasters in their workforce and realizing that this is a crucial determinant for ultimate success. It is also clear that food service industry is still lagging many other industries in utilizing more effective forecasting methods.