SUPPLY CHAIN MANAGEMENT

FOR SMALL- AND MEDIUM-SIZED MANUFACTURERS

10 IN A 13-PART SERIES

TECHNIQUES FOR BETTER FORECASTING

INTRODUCTION

In a supply chain management context, we want the right parts, in the right amount, in the right location, at the right time. Accurate forecasting is critical in this process.

Small-to-medium-sized enterprises (SMEs) should be aware of forecasting methods, packages and tools that are available.

Clearly, information sharing and partnering in the supply chain have an effect on the ability to generate an accurate forecast.

Why is this such a big deal?

An inventory system will help firms set policies and controls that monitor levels of inventory and determine:

- what levels should be maintained
- when stock should be replenished
- how large orders should be

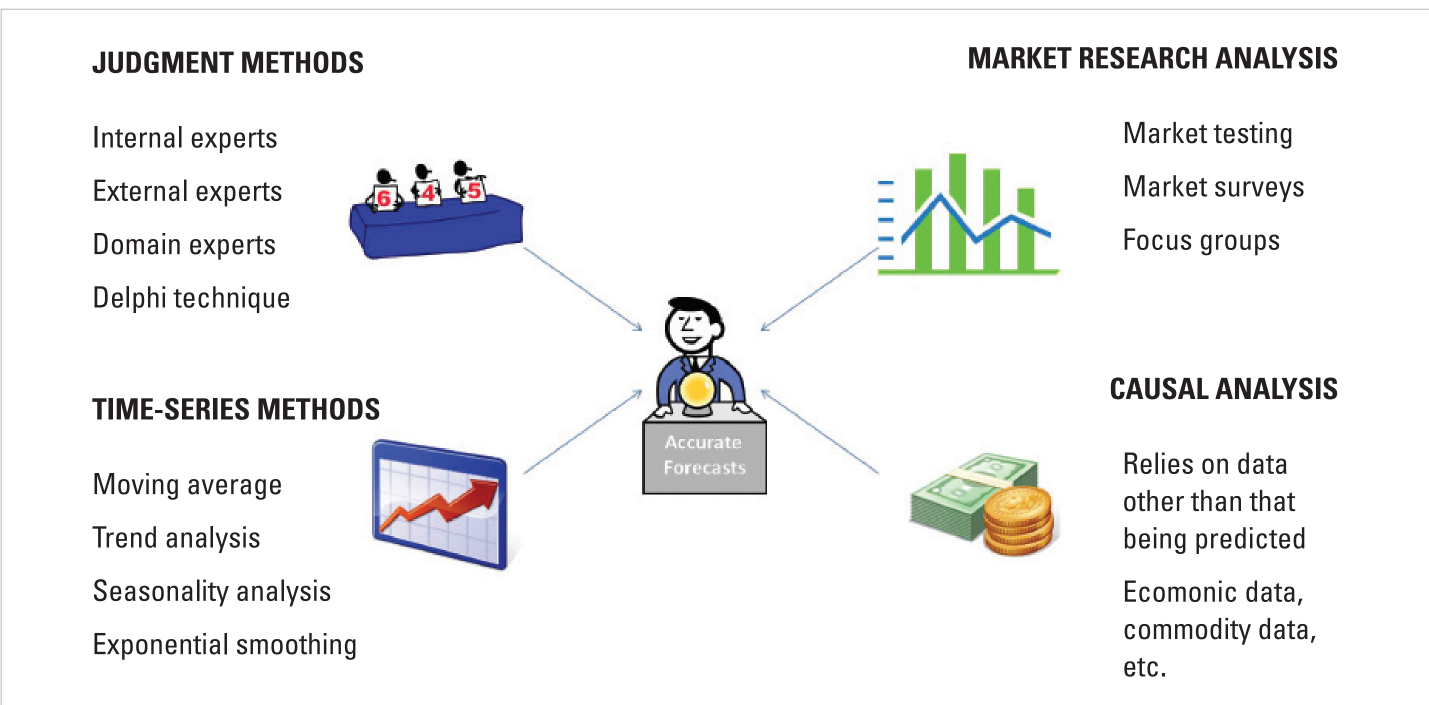
Having too much, or too little, inventory is not good for your firm.

Too little inventory leads to shortages and lost market share. However, too much inventory may be just as bad! First, it ties up money, which is a critical issue for SMEs. There are costs to carry the inventory and obsolescence costs. Next, too much inventory affects quality. Inventory can hide problems. Finally, inventory can affect responsiveness, making it longer and less consistent.

There are many different forecasting methods (some are shown in the graphic below) including judgment, market research, casual analysis and time-series models.

Note that each method has strengths and weaknesses and is applicable in different situations.

How accurate and effective is your forecasting method?



ciras | IOWA STATE UNIVERSITY
University Extension

For more information, contact: Mike O'Donnell
(515) 294-1588
modonnll@iastate.edu
www.ciras.iastate.edu

CIRAS101j 09.2010