

## Summary of Paper: [The Folly of Forecasting: The Effects of a Disaggregated Demand Forecasting System on Forecast Error, Forecast Positive Bias, and Inventory Levels](#)

### **What is this Study About?**

The study looks at how breaking down unit sales forecasts into more detailed parts helps a company commit fewer mistakes in predicting sales, be less vulnerable to opportunistic optimism on the part of some employees, and reduce inventory “safety stock” levels in a manufacturing setting.

### **What are the major findings of the study?**

When forecasters are asked to “disaggregate” their demand forecasts by breaking them down into specific sources of demand, the company can predict sales more accurately and reduce the tendency of some employees to optimistically bias the forecast, especially for products that are traditionally harder to forecast. Additionally, this approach positively influences how the company manages its inventory, allowing for more efficient stock control without necessitating frequent and expensive changes to production plans. However, the technique has its limitations. For products with limited production due to scarce resources, where the desire to optimistically bias is the greatest, disaggregated forecasting does not improve the demand forecast.

### **Why is the study important?**

The researchers demonstrate that adopting a disaggregated forecasting approach can significantly enhance the sales and operations planning processes of manufacturing firms. By showing that disaggregated forecasts lead to more accurate demand predictions and better inventory management, the study provides a clear pathway for companies to reduce costs associated with overproduction and excess inventory. Moreover, it sheds light on the limitations of this approach in situations where resource constraints exist, highlighting the need for nuanced forecasting strategies. This insight is valuable for businesses aiming to improve their supply chain management, financial planning, and overall competitiveness in the market.