Task 8: Forecasting at Hard Rock

1. Describe three different forecasting applications at Hard Rock. Name three other areas in which you think Hard Rock could use forecasting models.

Hard Rock uses long-range forecasting in setting a capacity plan.
The firm stuintermediate-term forecasting for locking in contracts for leather goods (used in jackets) and for such food items as beef, chicken, and pork.
Its short-term sales forecasts are conducted each month by cafe, and then aggregated for a headquarter view.
Other areas where forecasting can be applied are:
in long term, the number of visitors in different time slots (breakfast, lunch or dinner),
in medium term, the preference for meals for a more select public, vegetarians (healthier meal) and
in short-term study of products for the service at the tables (napkins, cutlery, etc).

2. What is the role of the POS system in forecasting at Hard Rock?

The POS system is the way they catch transaction data of each client.
In each cafe they capture this information and they report it daily to the Orlando corporate headquarters' database. There the information is treated to conclude a sales forecast.

3. Justify the use of the weighting system used for evaluating managers for annual bonuses.

The criteria to evaluate managers an set bonuses in a 3-year weighted moving average is applied as follows; 40% to the most recent year's sales, 40% to the year before, and 20% to sales 2 years ago in reaching his moving average. If cafe general managers exceed their targets, a bonus is computed. with this weighting system we can find how employees find out how they're doing and what's expected of them, also in this 3 year system establishing measurable goals, tracking performance, and with this it can be integrated into the budgeting process.

4. Name several variables besides those mentioned in the case that could be used as good predictors of daily sales in each cafe.

-Compare sales volume per square meter for similar stores in similar locations and similar size.

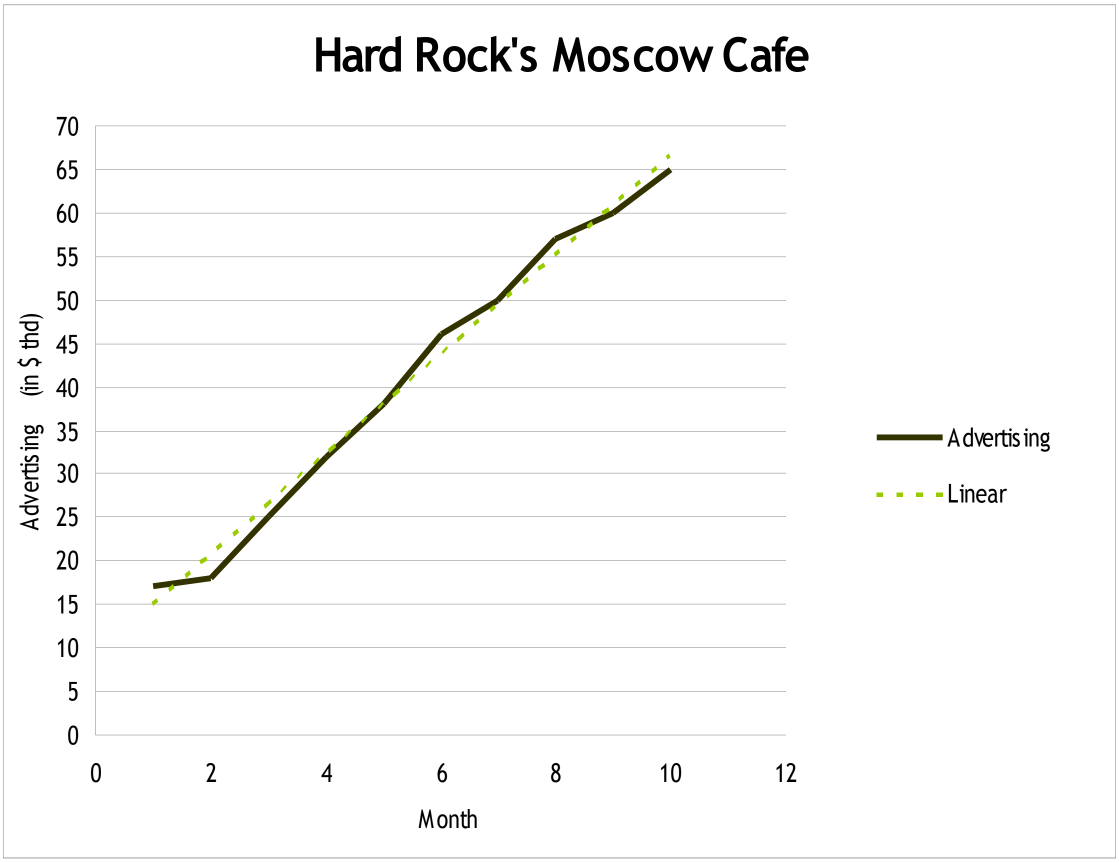
-Focus on household incomes.

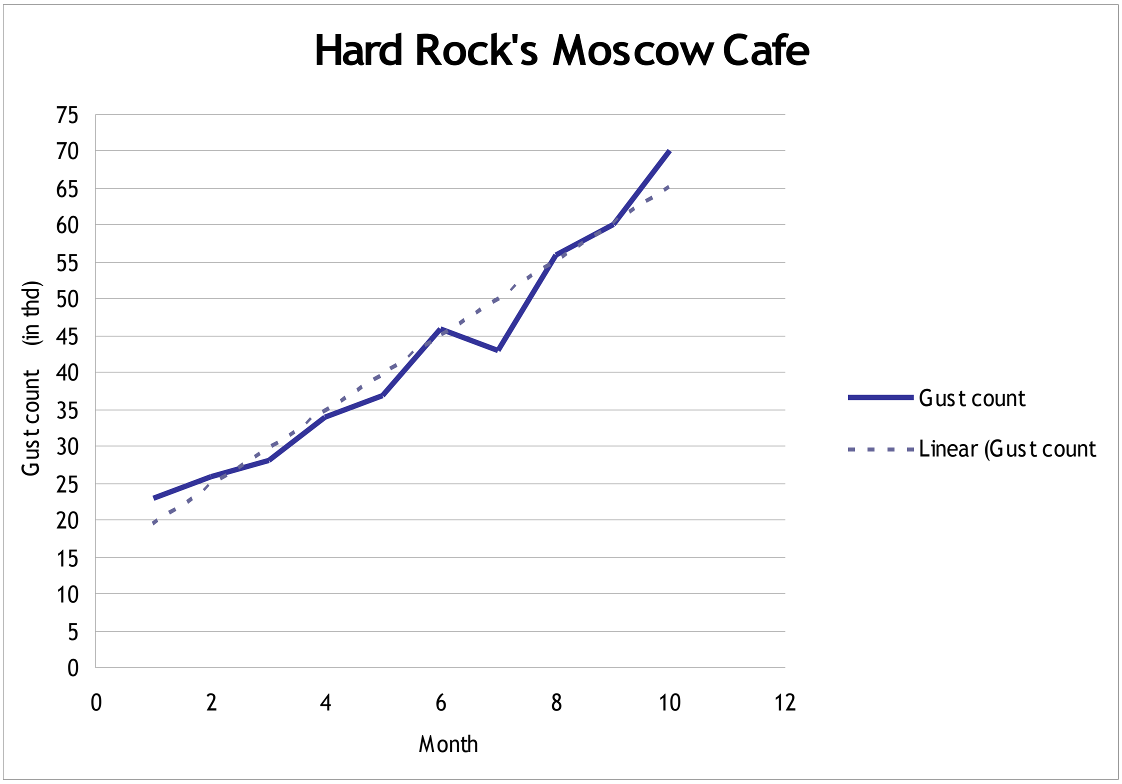
-How many households that need your goods live within one mile?

-How much will they spend on these items annually, and what percentage of their spending will you get compared to competitors.

-Holidays and tourism

5. At Hard Rock's Moscow restaurant, the manager is trying to evaluate how a new advertising campaign affects guest counts. Using data for the past 10 months(see the table) develop a least squares regression relationship and then forecast the expected guest count when advertising is $65.000.





Hard Rock's Moscow Cafe
Gust count (in thd)
75
70
65
60
55
50
45
40
35
30
25
20
15
10
5
0
0
2
4
6
8
10
12
Month
Gust count
Linear (Gust count