

# Judgmental adjustments of computer-based forecasts. Are they beneficial? Can they be improved?

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It's very common for demand planners to use their judgment to adjust computer-based forecasts. These adjustments may be based on information collected from various organizational functions such as sales and marketing through a Sales and Operations planning process. But they can also be made for other reasons, such as a large error in the previous forecast or a bias towards optimism. To understand where judgmental adjustments add value, we set out to identify the factors that prompt them, and their effect on forecast performance. We used data on around 147,000 forecasts from six studies as well as a case study of how companies manage the adjustment process. Adjustments typically led to improvements in bias and accuracy for only around half of stock keeping units (SKUs) and downward adjustments were more effective than those that increased the statistical forecast. Crucially, forecasters tended to make ineffective use of relevant information. Instead, they appeared to respond to irrelevant factors. So how can adjustments be made more valuable? We conclude with some 'optimistic' proposals.