Le Club Francais Case

1. Discuss why the news vendor model may or may not be a reasonable model for computing order quantities in this case?

2. What are the costs of having one bottle too few in inventory (underage cost)? What are the costs of having one bottle too many in inventory (overage cost)? List these costs qualitatively and then attempt to attach numbers to them for a 10 Euro bottle of white wine.

3. Assume the underage cost is 3 Euro and the overage cost is 1 Euro. Based on Le Club's past forecasting performance (Exhibit 1), how many bottles would you order of a wine that is forecasted to sell 2000 bottles? (Assume this is the final forecast, i.e., the forecast after any potential adjustments to ensure that the aggregate forecast across all items matches some target.)

4. Look into trends in the demand and forecast data. Do you see any bias in the forecast? Do you see any correlations between the price of wine and the forecasting error?

5. How much of each wine listed in Exhibit 2 would you order? As Zanella's consultant, think of how you would convey key findings without presenting calculations for every single wine.

6. Discuss patterns and any peculiarities that you find in the order quantities and critical ratios across different wines.

7. Explain if the order quantities make sense from a customer service standpoint (e.g. price, availability, quality, etc).