**Business problem:**

A given food chain with more than 400 stores in Brazil has difficulties in forecasting the production of each item each day. Calculating wrongly the number of items produced can generated two sorts of problems

1. More items are produced than sold: The kind of food produced can not be stored from one day for another and therefore what is not sold has to be discharged.
2. Less items are produced than the demand : In this scenario the company loses sales

Therefore we have a situation where predicting correctly how much you have to produce of each item each day is important.

Today this forecast is done based on experience but is far from accurate. Average loss (too much or too little) spins around 10%.

Here it is important to put the management perspective: It is their view that today they relay too much in the people experience and would like to have some tool which would free them from this human dependence. In addition of that they believe that the level of error is high and could be reduced.

Therefore, from the management perspective a system capable of predicting the sales would be worth having even if it doesn´t perform better than the current process. Equal performance would be acceptable. In addition of that there was an understanding that the system would be able to improve its performance overtime as more and more historical data is added to its reference database. (Machine learning effect)

**Analytical problem**

The problem is how to build a model which effectively predicts the demand with a level of assertiveness equal or superior to the current one and improves overtime. Analyzing the sales we managed to stablish that there was correlations between the following factors:

1. Day of the month (payment days usually have bigger demand)
2. Day of the week (Fridays, Saturdays, Sundays and holidays usually have a big demand)
3. Month (Holidays months usually have bigger sales – In Brazil Dez-Jan-jun-Jul)
4. Weather (temperature, rain and sun have an impact in what people eat)

This particular company sales its food through several channels: 1) directly from its stores, 2) through a web deliver service and 3) through a call-center. In our study we are not going to differentiate these channels just counting the total volume sold of each item each day.

**Datasets**

To be able to identify the patterns we select the city of São Paulo which alone respond for almost 40% of the sales. This is a simplifying strategy given the fact that if the process works for this city we easily deploy it in the others.

**Getting the data**

Initially we managed to get the weather stations measurements in São Paulo for the whole year of 2018 and January of 2019. It is public information available at the website:

<http://www.inmet.gov.br/projetos/rede/pesquisa/>

Secondly we managed to get from the company the sales by type by day. In sequence we prepared this data crossing these two files unifying them by date. Our database format was:

Data – Day of the weather measurements and sales

Precipitac – Volume of rain in millimetres per square meter during the day

Tempmax – Max temperature during the day

Tempmin – Minimum temperature during the day

Tempmed – Average temperature during the day

Umidade – Level of humidity in the air

Insolacao – Level of sun

Diasemana – day of the week abreviation

Diasem – weight of the day of the week considering the average volumes sold

Mes – Weight of the month considering the average sales volumes

Desserts – number of desserts sold in the day

Pizzas – Number of pizzas sold in the day

Beverage – Number of Beverage sold in the day

Cbmaker – Number of a special dish sold in the day

Combos – Number of combos sold in the day

Sfiha – Number of sfihas sold in the day

kit1 – Number of kits 01 sold in the day (Is a dish with a gift)

kit2 - Number of kits 02 sold in the day (Is a dish with a gift)

snack – Number of snacks sold in the day

pastas – Number of pastas sold in the day

dishes – Number of lunches sold in the day

promotion – Number of promotions sold in the day (This is episodic and may not be counted)

savory – Number of savory sold in the day

salads – Number of salads sold in the day

total – Total number of items sold in the day

The idea was is to use 80% of the measurements as our training data and 20% as our test data.

The meaning of the numbers in the field diasem is:

1. Monday, Tuesday, Thursday
2. Friday
3. Saturday and Sunday
4. Holidays

The number represents the weight of the day regards sales. this weight reflects the view of the current planners regards sales and we need to check if the assumption holds.

The meaning of the numbers in the field mes is:

1. March, April, May, August, September, October, November
2. February and July
3. January ,June and December

The number represents the weight of the month regards sales, this weight reflects the view of the current planners regards sales and we need to check if the assumption holds.

Note that there is a mix between the climatic factors and what we could call seasonal effect however the inclusion of these factors were necessary given the fact that although it is assumed that the weather do influence the choice of the food the volumes are also influenced by the day of the week and the season.

Note that the objective is first to identify if the listed factors are in fact defining the demand and identify which ones are the most relevant.

Checking how true is the day of week assumption:

Using R and stablishing a correlation between the demand for specific items. Here we are going to limit ourselves to the following items:

Desserts – number of desserts sold in the day

Pizzas – Number of pizzas sold in the day

Beverage – Number of Beverage sold in the day

Sfiha – Number of sfihas sold in the day

snack – Number of snacks sold in the day

pastas – Number of pastas sold in the day

dishes – Number of lunches sold in the day

savory – Number of savory sold in the day

salads – Number of salads sold in the day

The reason for that is the fact that the others are not regular items but some sort of promotion only made available for limited span of time:

Cbmaker – Number of a special dish sold in the day

Combos – Number of combos sold in the day

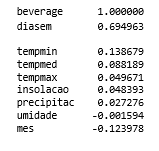
kit1 – Number of kits 01 sold in the day (includes a gift)

kit2 - Number of kits 02 sold in the day (Includes a gift)

promotion – Number of promotions sold in the day (This is episodic and may not be counted)

and the weather and seasonal parameters showed the following:

Beverage:



Desserts:

