* FORECASTING *

Forecasting is the prediction of future sales or Demand for a product. It is defined as the Estimation of future activities i.e the estimation of time, quality, quantity of future work. These estimate provide the basis for determining the demand of Man power, machines and material in future.

It is not a guess work but a projection based on passed sales figure and human judgement.

Need of forecasting (58)

1. It helps in determining the volume of production & production rate.
2. It forms the basis for production budget, Labour budget, material budget, etc.
3. It suggest the need for plant expansion.
4. It helps in product design & development.
5. It helps in determining price policies.
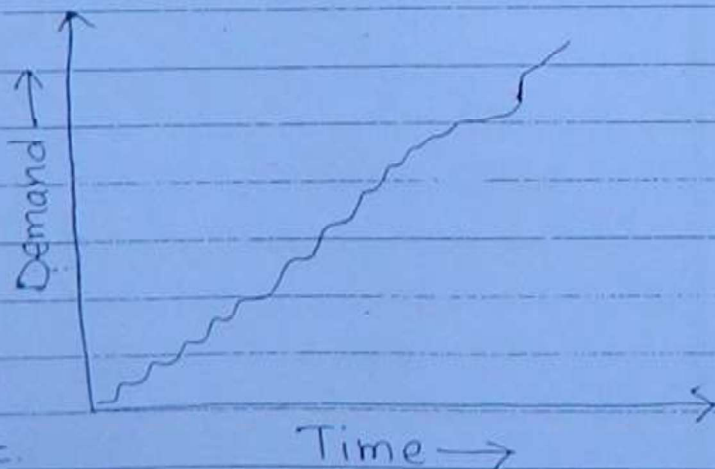6. Helps in determining the extent of marketing, advertisement and distribution required

Types of Demand Variation

1. **Trend Variation:**
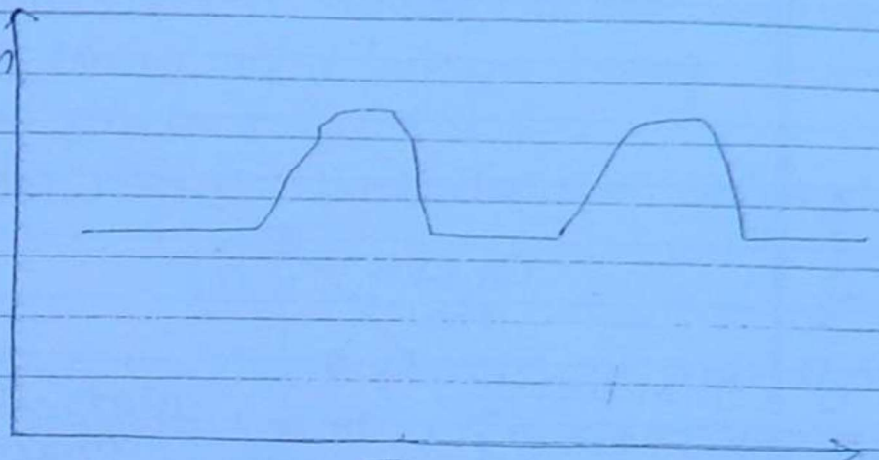   It shows a long term upward or downward movement in the demand or sales of a product. It shows a regular pattern.
   eg Newspaper, Cellphones etc.

2) Seasonal Variation:

It shows a 'short-term regular variation related to the time of a day or day of a week
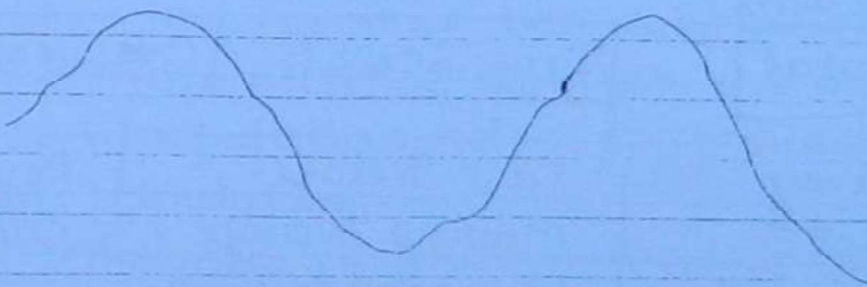
Time →

e.g. Electricity Bill (daily) movie Tickects etc

(59)

3) Cyclic Variation: Wave like variation Lasting more than ~~the earlier~~ a year & it is repeated after a certain period. - e.g. Yearly Electricity Bill, Refrigerator, Woolen Clothes

4) Irregular Variation:

These are caused by unusual circumstances which are not reflected of typical behaviour / Normal behaviour These may be due to severe weather conditions, Strike, Plant Shutdown etc.
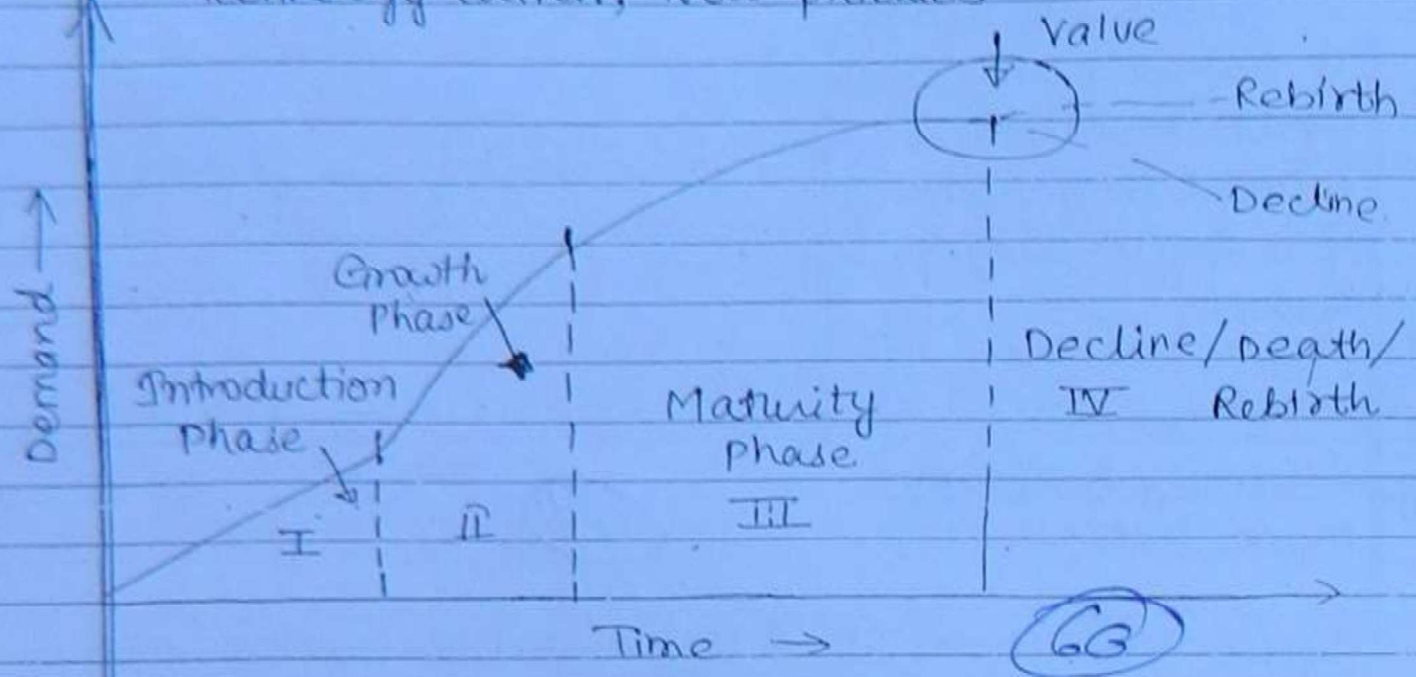
(may be downward)
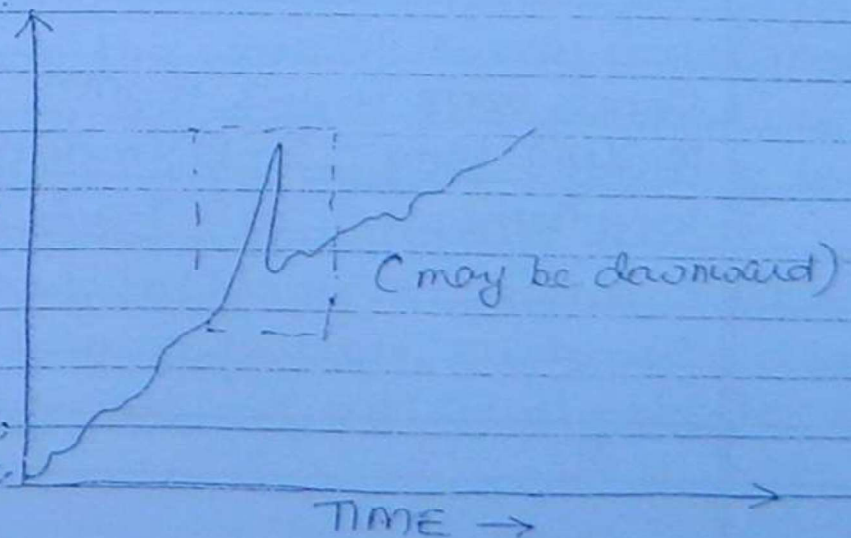
TIME →

Product life cycle :-

Technology driven, New products

TYPES OF FORECASTING

Qualitative or Subjective	Quantitative or objective
Long Term ↓ (2-5 Yrs)	(Short or Medium term)

Judgemental	Time Series ↔ Causal or Economet

- Opinion Survey	- Past Average	- Regression
- Market Trial	- Moving Average	- Correlation
- Market Research	- Weighted moving.	
- Delphi technique	Average	
	- Exponential Smoothing	

Short term = 1-3 month
Medium term = 3-12 month
long Term = 2-5 Years