Question 7.1

Describe a situation or problem from your job, everyday life, current events, etc., for which exponential smoothing would be appropriate. What data would you need? Would you expect the value of ⟨ (the first smoothing parameter) to be closer to 0 or 1, and why?

Costco or any retail store can use exponential smoothing.

They can use exponential smoothing to forecast their future sales for various products (Seasonal or non-seasonal). They can use the daily sales of the product in recent months and past years. Trends and Seasonal factors will predict the future sales.

I would expect the value of alpha to be closer to 1 since the recent demand for a product will have more impact in forecasting than the randomness in the data.