JAYOTI VIDYAPEETH WOMEN'S UNIVERSITY, JAIPUR
Faculty of Law & Management

Faculty Name - JV'n Dr. Shahnawaz Alam

(Asst. Prof./Asso. Prof./Professor)

Program - MBA I SEM

Course Name - Economics for managers

Academic Day starts with saying

'Namaste' by joining Hands together following by 2-3 Minutes Happy session, Celebrating birthday of any student of respective class and **National Anthem**.

Lecture Starts with - Review of previous Session

Topic to Be Discussed Today: Demand Forecasting

Forecasting is a step towards that kind of 'guesstimation'; it is some sort of an approximation to reality. Demand forecasting is the art of predicting demand for a product or service at some future date on the basis of certain present and past behaviour pattern of some related events. Without forecasting, forward planning by a corporate unit will be directionless. However Demand forecasting is also one of the techniques to minimize the risk and uncertainty.

Cundif and Still :- " According to Cundif and Still sales forecasting is an estimate of sales during a specified future period on which estimates is tied to a proposed marketing plan which assumes a particular set of uncontrollable and competitive forces."

According to **Philip Kotler**:- " The Company sales forecast is the expected level of company sales based on a chosen marketing plan and assumed marketing environment."

Features of Demand Forecasting

From the above discussions the following features of demand forecasting emerge:

a. Demand forecasting is based on past data and present positions.
b. Demand forecasting may be monetary or physical
c. Demand forecasting is made for a certain period
d. Future sales and profit estimate can be made by demand forecasting

Importance of Demand Forecasting

Demand forecasting is important for every producer. He has to know the present level of demand as also the increase that is expected to take place in the demand for his product over time. Demand forecasts are generally useful for the following categories of decision makers:

a. Importance for the producers.
b. Importance for policy makers and planners.
c. Importance for estimating financial requirements.
d. Utility for determination of sales target & incentive
e. Importance for regular supply of labour and raw material is made possible by demand forecasting.
f. Production planning is possible with the help of demand forecasting
g. Use for other groups of the society researchers, social workers and other who have a futuristic approach.

Scope of Demand Forecasting

Demand forecasting can be at the international level depending upon the area of operation of given economic institution. It can also be confined to a given product or service supplied by a small firm in local area. The scope of work will depend upon the area of operation in the present and proposed in future much would depend upon the cost and time involved in relation to the benefit of the information acquired through the study of demand. The factors determining the scope of demand forecasting are as follows.

a. Period conversed under demand forecasting
b. Levels of demand forecasting.
c. Purpose of demand forecasting
d. Nature of product
e. Miscellaneous factors- socio-psychological factors, degree of competition impact of risk and uncertainty

Demand Forecasting Process: Process for demand forecasting depends on the scope of demand forecasting. We may follow the following sequence in projecting the demand for a product:

a. **Specifying the objectives**: The person or agency assigned the task of forecasting the demand must specify the purpose for which demand forecasts are being made.

b. **Selection of Appropriate Method**: Once the purpose of demand forecasting has been specified, we must select the methods which will be used for the purpose.

c. **Collection of Appropriate Data**: The quality and adequacy of data will determine the quality of our results and their reliability. As far as possible, data must be collected by experienced persons.

d. **Estimation and Interpretation of results**: Having collected the relevant data we have to compile them and obtain results manually or with the help

of computers. These results must be interpreted and their correspondence with the objective examined.

e. **Evaluation of the Forecasts**: If the method or model used in demand forecasting has objectivity; we may expect to receive good results. Yet the result so obtained must be verified by persons having professional acumen and expertise.

Methods of Demand Forecasting

The various methods of demand forecasting are opinion survey, trend analysis, regression analysis etc. The choice depends upon number of factors like nature of the product, cost and time requirements nature of the study.

University Library Reference:

Ahuja, H. (2016). Business Economics (Microeconomic Analysis). New Delhi: S Chand

Online Reference:

1. Suganthi, L., & Samuel, A. A. (2012). Energy models for demand forecasting—A review. *Renewable and sustainable energy reviews*, *16*(2), 1223-1240.

2. Carbonneau, R., Laframboise, K., & Vahidov, R. (2008). Application of machine learning techniques for supply chain demand forecasting. *European journal of operational research*, *184*(3), 1140-1154.

3. Armstrong, J. S., & Green, K. C. (2005). *Demand forecasting: evidence-based methods* (No. 24/05). Monash University, Department of Econometrics and Business Statistics.

Competitive questions from today topic (2 questions Minimum)-

Which of the following are determinants of demand for a product/service?

I.   Price of the product/service

II. Income of the buyer

III. Desire to purchase the product/service

IV. All of the above

The law of demand states that if there is an increase in a product's selling price _____.

I.   The quantity demanded of that good will decrease

II. The quantity supplied of that good will decrease

III. The quantity demanded of that good will increase

IV. The quantity supplied of that good will increase

☐ Questions to check understanding level of students

1. What do you mean by demand forecasting? Discuss the need and importance of demand forecasting in business decision