

## FORECASTING FUNDAMENTALS

**Forecast:** A prediction, projection, or estimate of some future activity, event, or occurrence.

### **Types of Forecasts**

- Economic forecasts
  - o Predict a variety of economic indicators, like money supply, inflation rates, interest rates, etc.
- Technological forecasts
  - o Predict rates of technological progress and innovation.
- Demand forecasts
  - o Predict the future demand for a company's products or services.

Since virtually all the operations management decisions (in both the strategic category and the tactical category) require as input a good estimate of future demand.

### TYPES OF FORECASTING METHODS

**Qualitative methods:** These types of forecasting methods are based on judgments, opinions, intuition, emotions, or personal experiences and are subjective in nature. They do not rely on any rigorous mathematical computations.

**Quantitative methods:** These types of forecasting methods are based on mathematical (quantitative) models, and are objective in nature. They rely heavily on mathematical computations.

### QUALITATIVE FORECASTING METHODS

