Good demand forecast using weighted average essay example

Calculate a forecast of the above demand using a 3- and 5-period moving average?

3-period moving average forecast

3-day moving demand forecast graph

The 3- moving average above shows a general decrease in demand between the third day and the eighth day, an increase between eighth day and tenth day, a slight decline between twelfth day and thirteenth day and then a slight increase.

5-period moving average forecast

Graph of the 5- day forecast

The 5- moving average graph above indicate a sharp decline on the averages between fifth and sixth day followed by a slight decrease between sixth day and the seventh average followed by a slight decrease between seventh day and eighth day. Between the eighth day and the thirteen day the averages increase steadily. Between the thirteen and the fourteenth day, the curve indicates a decline.

Comparing the two curves of the moving averages, the 3- moving averages is better than the 5- moving average. This is because it presents a better picture of the demand and hence is more responsive than the 5- moving average curve. It can be used to closely indicate the actual prices of commodities/share prices in precision than the 5 moving averages. Consider for example the between tenth day and the twelve day in 3-moving average the curve indicates a decline while in the 5- moving averages, such a decline is not noticeable.

References

Chase, R., Jacobs, R. & Aquilano J. (2007). Operations Management for Competitive Advantage, 11th ed New York, NY: McGraw-Hill.

Heizer J.& Render B .(2009). Operations Management. New York, NY: Pearson Education.