

# The history of types of forecasting methods business essay

[Business](#)



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### **Forecasting**

Forecasting is the estimations made by the experts of a firm to make outline for market status in future what will be the status of market? Define guidelines under which they will grow their sales. Experts make strategies for the sales of their products mostly forecasting is made by keeping the eye on past sales performances It helps to establish policies so that company make assessments of past and present level of sales and they can easily get annual growth of their sales within the market. Forecasting enables the company to handle minor problems before the problems become major (Akrani, 2011).

### **Major types of forecasts**

Forecasting is made with the help of three basic categories each has its major role in preparing the guidelines for forecasting future sale in market.

### **Economic forecasts**

During economic forecast estimations related to the variety of different perspectives of economic indications are made such as interest rate for inflation, money supply etc.

### **Technological forecasts**

In technological forecasting statistics are made to determine the outlines for the future trends in technological progress and their innovations. Simply it is defined as to define the characteristics of machines which help the company

to adopt new trends that improve their quality and quantity of their services as well (Co & C).

## **Demand forecasts**

In demand forecasting estimates are made about the sales of company products as what will be the quantity of products that a consumer will demand for? Or it is as the services that a consumer will demand from the company in upcoming period the calculation for the unit sale of product in future is defined in demand forecasting (Consulting, 2007).

## **Types of forecasting methods**

Two major types of forecasting are discussed below that are used by a firm to study market statistics before investing in a new market.

## **Qualitative methods**

(Quantitative Research Methods) Qualitative method for forecasting are based on judgments, opinions, intuition, best guesses, or past experiences and are subjective in nature. These techniques are mainly based upon judgment and intuition and particularly when adequate information and data is not available so that quantitative techniques cannot be used (4 important methods of Qualitative forecasting techniques). Qualitative forecast is carried out with the following strategies.

## **Executive Opinion**

During the process of executive opinion in qualitative method for forecasting opinions made by expert are combined then the average is taken as a result of whole process. It is said to be the approach in which all managers make a

collective forecast as a group opinion. In this method the relevant opinions of experts are taken, combined and averaged. Executive opinion is approach in which a group of managers meet and collectively develop a forecast.

## **Market Survey**

Surveys are conduct to know what is the judgment of customer about the quality of product what are their views about the performance of the product that will help the company to know about the market status of their product which enable the company to make the analysis to get the rating of their product in the market. From market survey calculations are made for future demands of product.

## **Sales Force Composite**

Sales force composite is used by each salesperson to give estimation of sales in his/her region (sales force composite).

## **Delphi Method**

A board of experts is given a situation and asked to make initial predictions in order to make estimates, on the basis of a set of questionnaire which had maximum number of questions that emphasizes particular event and possible approaches to it. Their responses are analyzed and summarized and submitted back to the board for considerations which enables to handle the event with possible approaches to get over it. All these responses are anonymous so that no member is influenced by others opinions. To obtained consensus this process is repeated (delphi method ).

## **Pros and Cons of Qualitative method**

Qualitative research offer more in-depth details. For qualitative method does not require extensive research. The disadvantage to this kind of research is the result can't be generalized to the public. Information also can't be provided on how many individuals replied to a survey question one way or another (Mille). In qualitative research, a hypothesis doesn't have to be answered with just a yes or a no; researchers can have more options and be able to explain phenomena through interpretation. Since subjects are asked open-ended questions, they can provide the researcher with a variety of different answers. In addition, qualitative research can generate good results with a small sample group, unlike quantitative research. Quantitative methodsQuantitative methods of forecasting rely on mathematical (quantitative) modeling, and they are objective in nature. Heavily mathematical computations are made for quantitative method of forecasting. Qualitative model is obtained by using following models.

## **Time-Series Models**

This model assumes past pattern of data, required to make a forecast and the future base upon the underlying patterns contain within those data.

## **Associative Models**

Associative models is often called causal model. It identifies related variables in order to predict necessary forecasts (Ch. 3 Forecasting).

## **Pros and Cons of Quantitative method**

Quantitative research focuses its attention to numeric qualities that can be recorded. Weight, size and time are examples of quantitative measurements.

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It is best to use quantitative methods in the latter phases of a research project, when you know exactly what you hope to find. With quantitative data, you can test your hypothesis and make general conclusions. The data can typically be gathered and analyzed rapidly. Anonymous surveys are conducted for sensitive topics. If the response rate is enough, the sample used for the research can be generalized to the general population. However, quantitative research can be more expensive than the qualitative method (Mille).

## **Strengths and weaknesses of quantitative and qualitative methods**

### **Qualitative Methods Quantitative Methods**

**Strengths** Qualitative methods can be consistent and objective; able to incorporate latest changes in the environment and consider much information inside the environment and data at one time. **Weaknesses** Can bias the forecast and reduce often quantifiable data are not available. Forecast accuracy is only as good as data on which they are based. 2 a) NiceN'Bright strategic options to grow business

### **Marketing strategy of NiceN'Bright**

(Defining technological innovations) Cleaning business or any other type of service business cannot survive in market without a proven marketing plan which gives strategic options how to grow the business and the way which defines a clear vision to improve the quality of services that an organization owns to deliver to customers. NiceN'Bright is a company that has made a name in the cleaning market as it has a number of customers who appreciate the

reliability, trustworthy cleaning services that company provide. Although the company had competitors in the market, major target customer of NiceN'Bright is affluent . Because they need house cleaning services they does not rely on the finances each month this community always had need for the services of house cleaning for which they pay company they are the main targets of company. It is said as the well off customers who demand quality of service and are willing to pay a premium for a service that they can trust and extrudes professionalism, which done in a seamless, customer-centric manner. NiceN'Bright approaches to market the company in a way to get maximum number of consumers. To attract them and to offer them appealing services which make the company different from other cleaning companies and to prove that NiceN'Bright is the company that provide reliable services to their customers and it is the right choice. One way of marketing strategy is that sharing of color brochure detailing all the services offered by the company This will help the company to target specific community and will be carried out by making plan with clubs and organizations that whose maximum number of clients are the target customer for NiceN'Bright. A plan to distribute the company brochure in these clubs and organization is moves to get increase the clients (Cleaning Service Marketing Plan). The next approach to increase marketing of the company is the option to make advertisements in two of the local newspapers in order to increase the publicity the advertisement of company will appear twice in paper. This is another best option to make strategic marketing of company to grow the number of clients hence advertising in newspaper will target maximum clients. In both cases to market company

about the company mission for example NiceN'Bright Cleaning Service's mission is to deliver the client with all housing cleaning services in an expert way.

## **2 b) Implications of recommendations to NiceN'Bright**

Focus of company would be on two socio/economic group. . To approach the target clients well defined structure of distribution of brochures that will get more clients. Providing excellent quality of service Quality of service requires professionalism in respective field. Employees must be equipped with the tools needed to make impression on most the t customers. Professionalism is used throughout the service call, from the way the employee greets and interacts with the client, by the means they clean, to the way they act when they break that invaluable vase.

## **Pyramids to capture market**

The single objective is to position NiceN'Bright at the top of the house cleaning market, commanding a large market share within five years. The marketing strategy will first look for making customer awareness, develop the customer base, and work toward building customer faithfulness and referrals. Message will be conveyed to customers through many ways. The first is through printed materials (brochure) that will be widely distributed. The second way is to organized word-of-mouth referral system. The last method of communication is through a targeted advertising campaign in the two local newspapers, specifically within the weekly home section of the papers. 3 Ryanair effective competitive strategies Strategy is an important factor to all organizations since it gives directions to make guideline to get



the desired outcome as they should take in order to get success. Planning help the organization to get their organizational goals and to establish their market as the services that the company provides to their customer. And to target the competitors by offering the excellence of services to customers. Ryanair's marketing strategy which gives them competitive advantages and competitive position in their respective market can be analyzed through different perspectives of strategy (Mun, 2008). Ryanair is the largest airline in Europe as defined by passenger numbers and is the largest in the World for International passengers as well. The Ryanair founded was lead in 1985, it has expanded rapidly while capitalizing on the chances of European deregulation of the air industry in 1997. As for the Ryanair in Irish headquarters Dublin it had 1000 routes, 40 bases and about 200 aircraft. Their business model is based (i. e. copied- a strategy in itself) on Southwest airlines in the USA. Their strategy is a low cost, no frills airline. Their vision is to have people fly for free. It really addresses the market for flyers who looked for a cheap basic and efficient service rather than luxury. It does not try to complete in all market segments and so is focused. It could be said their strategy is 'cost focused'. They fly point to point to mid-sized cities using secondary airports. After about 5 years of operation they were making a loss but under the direction of their now CEO Michael O'Leary they rejigged their strategy to one of low cost following the SouthWest airline model (Ryanair Business Strategy - Fly for Free! What is the Ryanair Business Strategy?). Low Fares Ryanair's low fares are intended to stimulate requirement, principally from fare-conscious leisure and business travelers who might or else have used alternative forms of transportation or would not

have traveled at all. Ryanair sells seats on a one-way basis, thus eliminating the amount of stay supplies from all travel on Ryanair scheduled services, in spite of fare (Low Fares).

## **Customer Service**

Ryanair's strategy is to deliver the best customer service progress in its peer group. According to reports by the Association of European Airlines and the airlines' own in print figures, Ryanair has achieved better punctuality, fewer lost bags and fewer cancellations than all of the rest of its peer grouping in Europe. Ryanair achieves this by focusing potentially on the implementation of these services and by operating from uncongested airports (Cooperate Strategy).

## **Frequent Point-to-Point Flights on Short-Haul Routes**

Ryanair provides frequent point-to-point service on short-haul routes to secondary and local airports in and around main inhabitants centers and travel destinations. In choosing its routes, Ryanair favors secondary airports with suitable transportation to main population centers and regional airports. Secondary and regional airports are generally less crowded than most important airports and, as a result, can be predictable to provide higher rates of on time departures, faster turnaround times (the time an aircraft spends at a gate loading and unloading passengers), fewer terminal delays and more competitive airport access and handling costs (Ryanair (RYAAY): Walmart on Wings, 2010). Ryanair's "on time" performance record (arrivals within 15 minutes of schedule) for the first six months of 2004 was 92%, exceeding that of its principal competitors, including Lufthansa AG ("

Lufthansa") 84%, Air France 84%, easyJet Plc ("easyJet") 82%, British Airways 81% and Alitalia S. p. A. ("Alitalia") 80%, according to the Association of European Airlines' reports and the airlines' own published statistics (Ryanair SWOT analysis – Michael O'Leary's maniacal focus on being the lowest cost producer, 2013).

## **Low Operating Costs**

Ryanair's Management believes that Ryanair's service expenses are among the lowest of any European scheduled passenger airline. Ryanair strives to reduce or control four of the primary expenses concerned with running a major scheduled airline: (i) aircraft equipment costs personnel productivity, customer service costs, airport access and handling costs (Kankal, 2012).

## **Aircraft Equipment Costs**

Ryanair's early strategy for controlling aircraft gaining expenses was to purchase used aircraft of a single type. From 1994 to 1998, Ryanair purchased used Boeing 737-200A aircraft that were, at the date of purchase, among 11 and 17 years old (with an average age of 23 years at March 31, 2004). In the late 1990s, though there was a significant reduction in the number of such used aircraft available for purchase in the market. Personnel Productivity Ryanair endeavors to manage its labor expenses by repeatedly improving the output of its already highly-productive work force. Costs of Customer Service Ryanair has entered into agreements on competitive terms with third party contractors at certain airports for passenger and aircraft management, ticketing and other services that management believes can be more cost efficiently provided by third parties (BudgetTravel, 2011).

Company attempts to get competitive prices for such services by negotiating multi-year contracts at costs that are set or subject only to periodic increases linked to inflation.

### **Airport Access Fees**

Ryanair attempts to manage airport entry and service prices by focusing on airports that give competitive cost terms. Management believes that Ryanair's history of providing a consistently high volume of passenger traffic increase at many of these airports has allowed it to negotiate favorable contracts with such airports for access to their facilities (Rynair Flights ).