

# Inventory

[Business](#), [Management](#)



Inventory Inventory This work reviews the current forecasting strategy of the company as it prepares to meet the requirements of demand and capacity for its planned future. As it makes a review of the current forecasting strategy, it will seek to give a forward for the, however, ties directly to the overall strategic planning methodology already established by the company. From the history of the company, it has used the time series method in its forecasting processes since its inception. The forecasting methods that are to be considered in this paper are:

Qualitative: it involves human judgment, and it receives application when little data is available

Simulation: it involves the using the judgment of a computer to imitate customer behavior

Causal: used in case of a direct relationship in demand and an environmental factor, like cold weather

Time series: it involves the use of data in historical to foretell of the future needs

Inventory

In the forecasting of demand for the company products, at this level the qualitative forecasting technique can better be utilized by the company.

After a long time use of the time series forecasting method, the company should now adopt a new strategic plan, which should enable it to penetrate its market deeper. It is not safe for the company to rely on its historical data alone in the prediction of its future needs when considering demand.

Therefore, the qualitative forecasting method is the best method applicable by the company. This will ensure that the company knows the likely direction

to be taken by its customers in the consumption of its goods; and adjust appropriately to cater for the views of the consumers.

Besides the techniques already listed in the abstract, there are other forecasting techniques available and already in operation. They are each used in line with the future need that a company requires. Therefore, before using any of these methods, consider the time of preparation, cost, and accuracy of the technique. These techniques make different assumptions in their operation (Makridakis, Wheelwright, & Hyndman, 1998). In addition to the already mentioned methods are Regression methods, which involve the extension of linear regression that is a variable, linearly relates to some other independent variables. The other method of forecasting used is the multiple equation methods, which involve some variables that are dependent interacting with each other in a number of equations. This method receives proper application in the economic models of forecasting.

#### Qualitative forecasting techniques

These techniques have their basis on human judgment in the forecasting of the planned future of a given company. Therefore, these methods are said to be subjective based on the judgments and opinions given by the experts and the consumers. These techniques apply to the decisions that are intermediate and long range. They can be used in the creation of forecasts that are short term and can supplement projections, which have their basis on any qualitative methods (Makridakis, Wheelwright, & Hyndman, 1998). The examples of the qualitative forecasting methods include the ones mentioned below.

Executive opinions, which involves the averaging of views of different

experts in the areas to be forecasted

Delphi method, which involves the questioning of a panel of experts each at a time

Sales-force polling where the sales people who are in constant contact with consumers obtain forecast information

Consumer surveys which involves surveying the consumer purchases in the market

An example of qualitative forecasting technique in the manufacturing and retail industries is, doing a market survey of the manufactured goods amongst the different retailers that sell the goods directly to customers. They will each give different feedbacks that they usually get from the consumers once they have sold the products from company. These will enable the company to tell exactly what may probably happen, if a given trend of the company continues. In health care industries, a one on one interaction with patients and doctors can be done in some hospitals. In specific, doctors should be talked to at length since they will be able to provide a medically inclined response advising on the health effects of the given health product produced.

Among the methods listed, the causal method of forecasting should not be used because it limits itself to environmental factors tied to the demand of a given product. This is not a very conclusive way of determining future demand since not all produced goods will always be affected by the environmental factors like rain. In qualitative method of forecasting, it is necessary to forecast error. This is because the error will be able to show the amount of deviation to be taken in the forecasting. Error should not be

neglected when forecasting. It may affect the forecast, therefore, giving a very wrong feedback. This will make the company plan wrongly for the future and, therefore, encounter significant loss.

#### References

Makridakis, S., Wheelwright, S., & Hyndman, R. J. (1998). *Forecasting: methods and applications*. New York: John Wiley & Sons.