**Demand Forecasting**

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**Demand Forecasting**

The simplest kind of forecasting is passive demand. With this model, you may forecast future sales using historical sales data. It should only use data from the same season to ensure that your comparisons are accurate. This is especially valid if the company experiences seasonal swings. The passive forecasting model performs well if it is based on reliable sales data forecasts. Additionally, this is a solid economic strategy for organizations prioritizing stability over development. It's a strategy that counts sales this year roughly equal to those from the previous one. Because it doesn't call for applying statistical techniques or analyzing economic trends, passive demand forecasting is simpler than other varieties (Hofmann and Rutschmann 2018).

Artificial intelligence, causal or econometric forecasting, and time series forecasting are the three categories of objective forecasting techniques. Based on historical data, time series approaches try to forecast future results. Moving averages straight and weighted, simple exponential, and regression analysis are some of the most popular time series methods. By monitoring changes in variables that are known or assumed to impact those outcomes, causal or econometric approaches try to forecast future results (Zellner et al., 2021). However, Due to the absence of available data, subjective forecasts rely more on judgment and knowledgeable guesses. These are the most popular extrapolation, survey, Delphi, scenario writing, simulation, and composite forecasting techniques.

A trustworthy and frequently affordable approach to demand forecasting is statistical techniques. The statistic approach can be used in the following ways. The possibly simplest way is trend projection. Companies can use regression analysis to find and examine the connections between variables, such as sales, conversions, and email signups.

It is quicker and less expensive to conduct a statistical analysis of a representative sample of consumers than to try a census of every single customer a business may ever deal with. This snapshot of the market can be reasonably accurate and cost-effective. Statistics may give leadership an unbiased view of the market, helping them avoid basing their strategy on unsupported assumptions.

While still inaccurate, a forecast model can attain very low bias. Naturally, the bias won't be sufficient to assess the accuracy of the forecast on its own. However, a significantly skewed forecast is already a red flag for a problem with the model. An accurate definition of bias is the average mistake over n period of history (Wolff et al., 2019).

**References**

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