

2. OPERATIONS PLANNING

2.1 DEMAND FORECASTING

THEORY →

1) MEANING →

- It means predicting the future
- It is for **UNCERTAIN EVENT**
- It is **ESSENTIAL** part of management.

2) PURPOSE OF FORECASTING →

SHORT RANGE FORECASTING	MEDIUM RANGE FORECASTING	LONG RANGE FORECASTING
→ It may be ONE WEEK/TWO WEEKS/ COUPLE OF MONTHS	→ It may vary from 3 TO 6 MONTHS	→ It may vary from 1 YR TO ANY PERIOD
→ It will be more useful in PRODUCTION PLANNING	→ May extend over TO ONE/TWO YRS	→ The normal period used is 5 YRS
→ <u>PURPOSE</u>	→ <u>PURPOSE</u>	→ <u>PURPOSE</u> →
* To estimate inventory requirements	* To determine budgetary control over expenses	* To work out expected capital expenditure for future developments
* To provide transport facilities for F.G	* To determine dividend policy	* To determine expected cash flow from sales
* To decide work loads for MEN & MACHINE	* To find & control maintenance exp.	* To plan for Future Manpower requirements
* To find W.C needed	* To determine schedule of operations	a) Future Manpower requirements
* To set up prod. run.	* To plan capacity adjustment.	b) Material Requirement
* To fix sales quota		c) R&D
* To find required O.T to meet delivery promises		

3) VARIOUS FACTORS INFLUENCE THE FORECAST ⇒

- Environmental changes
- Changes in Preference of users
- Number of Competitive products
- Disposal income of consumers

→ FOR FORECASTING THE PRODUCTION, FACTORS TO BE CONSIDERED

- * Demand from marketing dept
- * Rate of labours absenteeism
- * Availability of Materials
- * Maintenance Schedules
- * Delivery Date Schedules

4) CRITERIA OF GOOD FORECASTING METHOD ⇒ In general, a good forecasting method must possess the following qualifications

ACCURACY ⇒ It is life blood of business



SIMPLICITY ⇒ Should be very simply



ECONOMY ⇒ Should be economical taking into alc importance of accuracy



AVAILABILITY ⇒ Relevant info. should be available.



STABILITY ⇒ Data must be such whose in FUTURE CHANGES are expected to be minimum



UTILITY ⇒ Must be EASILY UNDERSTANDABLE