- Corporate aspirations toward new products,
- Organizational openness to creativity.

- **Requirements:** A new-product strategy is difficult to implement if a “new product development system” does not exist within a company. Five components of this system should be assessed:
  - Environmental favor toward creativity
  - Screening method for new ideas, and Evaluation process
- **Expected Results:** Increased market share and profitability.
  - are now concentrated on them.

Diversification Strategy

- **Definition**: Developing unfamiliar products and markets through:
  - Concentric diversification (products introduced are related to existing ones in terms of marketing or technology),
  - Horizontal diversification (new products are unrelated to existing ones but are sold to the same customers)
  - Conglomerate diversification (products are entirely new).
- **Objectives:** Diversification strategies respond to the desire for:
  - Growth when current products/markets have reached maturity,
  - Stability by spreading the risks of fluctuations in earnings,
  - Security when the company may fear backward integration from one of its major customers,
  - Credibility to have more weight in capital markets.
- **Requirements:** In order to reduce the risks inherent in a diversification strategy, a business unit should:
  - Diversify its activities only if current product/market opportunities are limited.
  - Have good knowledge of the area in which it diversifies.
  - Provide the products introduced with adequate support.
  - Forecast the effects of diversification on existing lines of products.
  - Expected Results:
  - Increase in sales.
  - Greater profitability and flexibility

Value Marketing Strategy

- **Definition**: The value-marketing strategy concerns delivering on promises made for the product or service. These promises involve product quality, customer service, and meeting time commitments.
- **Objectives:** Value-marketing strategies are directed toward seeking total customer satisfaction. It means striving for excellence to meet customer expectations.
- **Requirements:**
  - (a) Examine customer value perspectives.
  - (b) Design programs to meet customer quality, service, and time requirements.
  - (c) Train employees and distributors to deliver on promises.
  - Expected Results: This strategy enhances customer satisfaction, which leads to customer loyalty, and, hence, to higher market share. This strategy makes the firm less vulnerable to price wars, permitting the firm to charge higher prices and, thus, earn higher profits.

CHAPTER-III
FORECASTING

Casting data forward is called forecasting. It is a projection based upon past data or it is an estimate of an event which will happen in future.

Need of forecasting:

- When there is a time lag between awareness of an impending event or need and occurrence of that event. This lead time is the main reason of planning and forecasting.
- Planning is the fundamental activity of management. Forecasting forms the basis of planning.
- It is essential for the organization to know for what level of activities one is planning before investments in input.

Types of Forecasting:

→ **Short Term Forecasting**

→ **Long Term Forecasting**

Short Term forecasting is the forecasting that made for short term objectives covering less than one year. Ex. Material Requirement Planning (MRP), scheduling, sequencing, budgeting etc.

Long Term Forecasting is the forecasting that made for that made for long term objectives covering more than five years. Ex. Product diversification, sales and advertisement.

Elements of Forecasting:

Forecasting consists basically of analysis of the following elements.

a) Internal factors
b) External factors
   i. Controllable
   ii. Non-Controllable (Organizing with national economy,governments,customers and Competitors)

Basic categories of forecasting methods:

Forecasting methods can be divided in to three main categories.

A. Extrapolative or Time-series Methods
B. Casual or explanatory methods
C. Qualitative or judgmental methods

   Time-series Methods and explanatory methods are quantitative methods and judgmental methods are qualitative methods. Quantitative methods will be adopted when sufficient quantitative information available and when little or no qualitative information available but sufficient qualitative knowledge available qualitative methods will be preferable.

A. Extrapolative or Time-series Methods

- Time series forecasting models try to predict the future based on past data.
- Relate the forecast to only one factor – time.
- Include
  - ✓ Moving average
  - ✓ Exponential smoothing

Moving Average

- **Naive forecast:** demand in current period is used as next period's forecast
- **Simple moving average**
  - ♦ Uses average demand for a fixed sequence of periods.
  - ♦ Stable demand with no pronounced behavioral patterns.
- **Weighted moving average**
  - ♦ *Weights are assigned to most recent data.*

Moving Average: Naïve Approach

Example: Forecast the order for the month of November by Naïve approach.

MONTH	ORDERS PER MONTH	FORECAST
Jan	120	-
Feb	90	120
Mar	100	90
Apr	75	100
May	110	75
June	50	110
July	75	50
Aug	130	75
Sept	110	130
Oct	90	110
Nov	-	90

Solution: Forecast order for the month of November,

$$(F)_{Nov} = 90 \text{ units}$$

Simple Moving Average

n = number of periods taken to evaluate the moving average

D_t or D_i = Actual demand in that period