



Letter from your New President...



As we are reminded by the silver anniversary symposium at San Antonio last year, the International Institute of Forecasters has been around for just over 25 years. Since good things come in threes, we might describe its history in three parts. From the very beginning, the four founding directors established a successful journal (which for copyright reasons continued with a change in publisher in 1984 as the International Journal of Forecasting) and an equally successful annual symposium. This era lasted until sometime in the 1990's when the Institute made the transition from an organization run by its founders to one that looks like a typical professional association. Of the original founders, Spyros Makridakis has retired from forecasting work, while Scott Armstrong retains a close connection with the Institute and runs the highly successful forecastingprinciples.com website. Only Robert Fildes is still associated with the operation of the Institute, as a current director.

In the recent past, the Institute entered a third phase of increasing complexity. All operations were performed or managed by volunteer directors and, in the case of symposia, by volunteer members. As we added the new practitioner-oriented journal, Foresight, revived the newsletter, the Oracle, and made plans for implementing forecaster certification, the strains on an all-volunteer organization were beginning to show. Our new Business Manager, Pam Stroud, as well as performing the necessary day-to-day operations in a timely way, is enabling us to tackle some of the issues that were being neglected. This is the legacy that Past-President Lars-Erik Öller has bequeathed to us. I am grateful for his leadership and welcome the challenge to continue the progress he started.

There are three important challenges ahead.

- (1) Foresight, the International Journal of Applied Forecasting. Editor Len Tashman and his editorial board have produced three issues of impressive quality and content. We expected the launch of a new journal to be expensive and time consuming, as it has been. Even for forecasters, estimating sales was a challenge. Some new subscribers have elected to become full members of the IIF and receive both journals; still the growth in new members plus Foresight subscribers climbs slowly. We must continue to watch that the journal is on track to succeed financially as well as it has in delivering content.
- (2) International Symposia on Forecasting. From the start, ISFs have been highly successful as professional meetings of forecasters. They have moved somewhat from the original concept of gatherings of academics and practitioners to a heavier academic orientation. We need to hear from practitioners as to how we can better serve their interests. Most Symposia also succeeded financially, in part because of the immense amount of work put in by volunteers. As we contemplate using conference service companies to manage logistics and our Business Manager to handle other organizational aspects, we will need to monitor both registration fees and symposium costs.
- (3) Efficient operations. The IIF is a relatively small professional association. It has operated for many years under standard bylaws, which were most recently revised in 2000. Its officers and directors have followed



largely unwritten policies and practices, and these have served us satisfactorily in the past. With an increasingly complex organization, managed on a day-to-day basis by a Business Manager, we need to develop a clear set of policies and procedures.

All of the items listed above are the kinds of thing that any organization like ours needs to monitor. New ones will arise; there's always room for improvement. That aside, the IIF is a dynamic and successful organization. The founders had the vision to set worthy goals whose attainment will benefit us as individuals and forecasting in general. I welcome the opportunity to be a part of that process.



From the Desk of the IIF Business Manager

Welcome, Spring! As someone from the New England region of the USA, I assure you these are very pleasing words indeed. Spring not only ushers in pleasant weather, but also offers new and exciting happenings for the IIF.



Let me begin by welcoming the IIF's new officers: Geoff Allen, President, and Eric Stellwagen, Treasurer. These two gentlemen are truly dedicated and committed to continuing and expanding the excellence which is the hallmark of the IIF. On a personal note, I would like to thank them for guiding me through my first 6 months as the IIF Business Manager. I would also like to welcome our newly elected board members at large: Len Tashman, a returning board member, Nada Sanders and Dilek Onkal. I look forward to working with all of you.

Spring also means the International Symposium on Forecasting (ISF). I hope to meet many of you in Santander this month. You can still find out more about this year's ISF at www.isf2006.org. Next year's symposium planning is well underway. It will be held in New York City, June 23-27, 2007. To reflect this location, the theme will be *Financial Forecasting in a Global Economy*. Visit our website, www.forecasters.org, for the latest information.

The spring issue of FORESIGHT is out! A new cover, outstanding, stimulating articles – the excellence continues. Congratulations to Len Tashman and his staff! If you are interested in contributing an article to FORESIGHT, contact Len or visit our website.

We've added new areas of interest on our website. You can join the IIF's online discussion group, login to our member's only area, which offers access to the most recent issues of *The Oracle* and FORESIGHT, and view our continuously expanding list of forecasting conferences and other forecasting research opportunities.

It's time for me to start packing my suitcase for Spain! See you all there,

Pam Stroud



News and Publications of IIF Members

Irfan Ahmed, a PhD (Statistics) candidate at The University of Lahore, Pakistan and currently working as Deputy Manager, Warehouse and Inventory Management under Faisalabad Electric Supply Company (FESCO) was elected the Secretary of Pakistan Statistical Association (Faisalabad Chapter). The Faisalabad Chapter is the only living organisation of the PSA Forum. Mr. Irfan earlier remained the elected Secretary for six terms in a row from 1993-2000 during which the Chapter remained highly functional. It again became dormant since November 2000, after his departure to Lahore for the pursuance of PhD. He organized numerous national and international seminars during that period. It is hoped by all the members that the Chapter shall get revived very soon.

Sven F. Crone and **Kostas Nikolopoulos** of the Lancaster Centre for Forecasting have been awarded the 2005/2006 SAS and IIF award for forecasting. The grant will be used to conduct a large scale forecasting competition using Neural Networks through an empirical evaluation on multiple time series. The Call for Papers for the competition is anticipated to be released in mid 2006 at the 2006 ISF conference in Santander, Spain. The competition time timescale will be one year - with presentation of the results at the 2007 ISF conference in New York, USA.

Further information will be made available on the website of the Lancaster Centre for Forecasting (www.lums.lancs.ac.uk/forecasting) and information portal on neural forecasting (www.neural-forecasting.com).

SAS News

SAS Company News

SAS Institute is hosting its first ever F2006 Business Forecasting Conference at world headquarters in Cary, NC, June 5-6. Keynote speakers include Paul Goodwin – University of Bath, David Dickey – North Carolina State University, Rajeeve Kaul – AutoZone, and Thomas Tileston – Warner Home Video. With four keynote addresses, 16 educational sessions, and over 250 registered attendees, F2006 promises to be one of the largest forecasting events of the year. For event details see www.sas.com/f2006.

Technology Marketing Corporation has chosen SAS Forecast Server as one of Communications Solutions magazine's Products of the Year for 2005. TMC presents this award to "companies that have demonstrated excellence in technological advancement and application refinements." Rich Tehrani, TMC President and Group Editor-in-Chief of Communications Solutions stated that SAS has "gone the extra mile to help improve both the customer experience and the ROI."

SAS Forum International – the largest business intelligence conference outside the United States with over 2,500 attendees – was held May 16-18 in Geneva, Switzerland.: (<http://support.sas.com/events/sasforuminternational2006/home.html>). The keynote speaker list included Edward C. Prescott, who was awarded the 2004 Nobel Prize in economic sciences. Prescott is also well known for his work on the Hodrick-Prescott Filter, used to smooth fluctuations in a time series.

SAS Personnel News

Oliver Schabenberger, Senior Research Statistician at SAS Institute, has been named a Fellow of the American Statistical Association. Chosen for their "outstanding professional contribution to and leadership in the field of statistical science," Oliver becomes SAS Institute's fourth ASA Fellow, joining SAS founders Jim Goodnight and John Sall, and R&D Director Bob Rodriguez.



Michael Gilliland, Marketing Manager at SAS institute, has published "Does Your Forecasting Process Add Value?" in the April 18, 2006 edition of APICS e-News.

Michael Gilliland and **Michael Leonard**, R&D Manager at SAS Institute, have co-authored "Forecasting Software – The Past and the Future" in the Spring 2006 issue of Journal of Business Forecasting.

Jack Harwell, Sr. Director of Inventory Management at RadioShack, joined Michael Gilliland to present a workshop on "Simple Tools to Assess and Improve Forecasting Performance" at the Institute of Business Forecasting Best Practices Conference in April. Mike also presented a workshop on "Lean and Practical Approaches to Business Forecasting" at the Technology & Integrated Systems Educational Council in March.

Best Forecasting Model Competition

Polly, a Political Forecasting Group, formed in September 2005, is happy to announce that on behalf of the International Institute of Forecasters, it will make a \$1,000 award to the designer(s) of the best model for forecasting the results of this year's U.S. House of Representatives elections. For details on the competition, please visit Polly's Home at <http://www.politicalforecasting.com>.

Forecasting Audit Revised

Scott Armstrong reports that major revisions have recently been completed in the Forecasting Audit:

1. New evidence has been added to **ten principles**. These additions strengthen the original principles.
2. A new principle 14.14 has been added, bringing the total to 140.
3. Programming errors have been fixed. Because of this, 13 principles were not previously included when they should have been. These omissions did not harm the value of the audit that you did. If you have done prior audits, the program now allows you to update to include these principles (along with the new 14.14). That is, think about getting more now than about getting less previously.

The ten principles with new evidence are:

- 1.3 Make sure forecasts are independent of politics.
- 1.5 Obtain decision makers' agreement on methods.
- 5.7 Damp seasonal factors for uncertainty.
- 7.5 Adjust for events expected in the future.
- 8.3 Ask experts to justify their forecasts in writing.
- 9.5 Update models frequently.
- 10.9 Shrink the forecasts of change if there is high uncertainty for predictions of the explanatory variables.
- 11.2 Use structured judgment as inputs to quantitative models.
- 11.4 Limit subjective adjustments of quantitative forecasts.
- 14.2 Use objective procedures to estimate explicit prediction intervals.

Details about the evidence are provided on "What's New" at <http://www.forecastingprinciples.com>.

The new principle is:

- 14.14 Ask for a judgmental likelihood that a forecast will fall within a pre-defined minimum-maximum interval (not by asking people to set upper and lower confidence levels).



Please send suggestions for further improvements in the Forecasting Audit. We can all benefit from these contributions. In particular, I encourage those who have developed new evidence or new principles to add them to our cumulative store of knowledge.

Visits to the Forecasting Audit at <http://www.forecastingprinciples.com> have tripled over the past year.

New Forecasting Website

A new forecasting website has been set up a few months ago. This website is a free and independent portal for the online forecasting community. The focus is to serve researchers, practitioners and students worldwide with up to date information and facilitating online interaction. It holds the latest news from all kinds of sources, including the IIF. Next to that there is a forum, an events calendar and many links to related websites - all related to forecasting. Registered users can submit their own articles to share the latest news. This website is an initiative of a forecasting consultant and IIF member from The Netherlands, EU. We encourage you to visit the website and register for free.

<http://www.appliedforecasting.com/>

First International Conference in Pakistan

The Institute of Statistics, University of The Punjab, Lahore, Pakistan, arranged a three day First International Conference on Statistics and Operations Research from April 3-5, 2006. Lt. General (R) Khalid Maqbool, the Governor of Punjab Province inaugurated the conference. Dr Akram M Chaudhry of The University of Bahrain, Kingdom of Bahrain delivered the Keynote Address on FORECASTING. Local, as well as foreign delegates participated in the conference.



Dr Azami Zahrim of Universiti Kebangsaan, Malaysia delivering seminar about Outliers



Dr Akram M Chaudhry of University of Bahrain



Forecasting Summit

The first Forecasting Summit conference of 2006—held February 13-15 in Orlando, Florida—was a success, facilitating interaction between scholars and practitioners about how to improve forecasting performance. The warm sunshine of Florida provided a welcome escape from the cold days of winter and offered a great environment for the attendees to share ideas and learn from each other.

Several IIF members—including Roy Pearson, Len Tashman, Mark Moon, Roy Batchelor, Paul Goodwin, and Ken Kahn—presented “Tutorials and Perspectives” sessions and pre-conference workshops. The reviews of the Summit were outstanding, as reflected in the comments of attendees:

“Every session delivered at least one idea—usually more—to take back to improve either our forecasting process or forecasting methodology.”

Greig Scott
Canadian Blood Services

“The Forecasting Summit provides an excellent means to get up to speed quickly (if new to the discipline) and also a great way to stay current and network with other people who face similar challenges.”

Steve Horne
TransUnion LLC

“This conference is a MUST for forecasters to keep updated on what’s going on and what’s available.”

Mary Alonzo
Michelin

Books for Review

Applications of Artificial Intelligence in Finance and Economics (Advances in Econometrics Vol. 19), J.M. Binner, G. Kendall and S.H. Chen (eds), JAI Press, 2005, hardback, 246 pages. ISBN 0-7623-1150-9.

Econometric Analysis of Financial and Economic Time Series - Part A (Advances in Econometrics Vol. 20), Dek Terrell and Thomas B. Fomby (eds), JAI Press, 2006, hardback, 406 pages. ISBN 0-7623-1274-2.

Econometric Analysis of Financial and Economic Time Series - Part B (Advances in Econometrics Vol. 20), Dek Terrell and Thomas B. Fomby (eds), JAI Press, 2006, hardback, 378 pages. ISBN 0-7623-1273-4.

Advances in Business and Management Forecasting 4, Kenneth D. Lawrence and Michael D. Geurts (eds.), Elsevier: JAI Press, 2005, Hardback, 302 pages. ISBN 0-7623-1281-5.

Computational Intelligence in Time Series Forecasting: Theory and Engineering Applications (Advances in Industrial Control Series), Ajoy K. Palit and Dobrivoje Popovic, Springer-Verlag, 2005, Hardback, 372 pages, ISBN 1-85233-948-9.

The Palgrave Handbook of Econometrics Volume 1: Econometric Theory, Kerry Patterson and Terence C. Mills (eds), Palgrave/MacMillan, 2006, Hardback. ISBN 1-4039-4155-6.

Modern Linear and Nonlinear Econometrics, Joseph Plasmans, Springer-Verlag, 2005, hardback, 382 pages. ISBN 0-387-25760-8.



The Economics of Financial Markets, Roy E. Bailey, Cambridge University Press, Cambridge, 2005, paperback, 528 pages. ISBN 0-521-61280-2.

Why Stock Markets Crash: Critical Events in Complex Financial Systems, Didier Sornette, Princeton University Press, 2005, paperback, 421 pages. ISBN 0-691-11850-7.

Applied Econometrics – A Modern Approach using EViews and Microfit, Dimitrios Asteriou, Palgrave/MacMillan, 2005, 423 pages. ISBN 1-4039-3984-5.

Forecasting Events

June/July Webcasts

Michael Gilliland and Brenda Wolfe, Product Manager at SAS Institute, are delivering a series of three webcasts on the topic of “Finding Flaws in Forecasting to Decrease Error.” The May 17 webcast on “Fundamental Forecasting Pains” drew 227 attendees and is available for review at www.sas.com/events (click on “Webcasts”). You can also register at this site for the June 28 (“Forecasting Performance Metrics”) and July 25 (“A Lean Approach to Forecasting”) webcasts.

As part of SAS Forum International in Geneva, a special interest group on forecasting was conducted. Participants of different industries and academia discussed the topic of large scale (enterprise) forecasting. The agenda included the following presentations:

- Enterprise Forecasting: New Trends and Applications, Prof. Paolo Mariani, Università di Milano Bicocca, Italy
- Forecasting Requirements for Retailers, Trevor Alderson, Director, Ipsos UK
- Advantages of Using Statistical Forecasting over Judgmental Forecasting, Prof. Paul Goodwin, University of Bath, UK
- New Products Forecasting, Stefan Ahrens, SAS Germany

All presentations can be requested from Udo.Sglavo@eur.sas.com

Forecasting Summit in September 2006

The next Forecasting Summit will be held in Boston on September 25-27, 2006. The two-day main conference includes tutorials, Q & A sessions, lectures, and practitioner presentations, with an entire track being presented by IIF members. In addition, the conference features a variety of optional pre-conference workshops, enabling in-depth exploration of important topics in forecasting.

For more details about the conference, visit the Forecasting Summit site at www.forecasting-summit.com. Attendees with academic affiliation can register at the reduced fee of \$695.

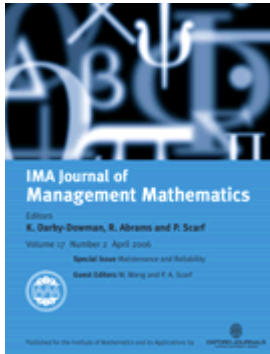
Fifth International Conference on Money, Investment and Risk

Nottingham Trent University is organising a conference, to be held in November 2006 in Nottingham, England, which has traditionally attracted a wide range of interest from forecasters.

For more information visit the website: <http://www.ntu.ac.uk/nbs/school/acad/afe/35535gp.html>



IMA Journal of Management Mathematics - CALL FOR PAPERS



Special issue on “Demand Forecasting for Inventory Management”

Brief description of the topic

Many inventory systems cater for uncertain demand. The inventory parameters in these systems require estimates of the demand and forecast error distributions. The two stages of these systems, forecasting and stock control, are often examined independently. Most studies tend to look at demand forecasting as if this were an end in itself, or at stock control models as if there were no preceding stages of computation. Nevertheless, it is important to understand the interaction between demand forecasting and inventory control since this influences the performance of the inventory system.

Papers are invited for a special issue on “Demand Forecasting for Inventory Management” of the *IMA Journal of Management Mathematics*. Theoretical and/or empirical contributions that consider the interface between demand forecasting and inventory management and make a significant contribution to the field will be considered for publication. Potential topics include, but are not limited to:

- Accuracy and performance measures
- Bullwhip effect
- Case studies
- Demand categorisation
- Distributional assumptions
- Hierarchical forecasting
- Multi echelon systems
- Serial systems
- Service level in the supply chain

For Deadlines and submission instructions, contact the Special Issue Editors

Professor John E. Boylan
(Buckinghamshire Chilterns Univ. Coll.)
e-mail: john.boylan@bcuc.ac.uk
tel. no: + 44 (0) 14194 60 51 30

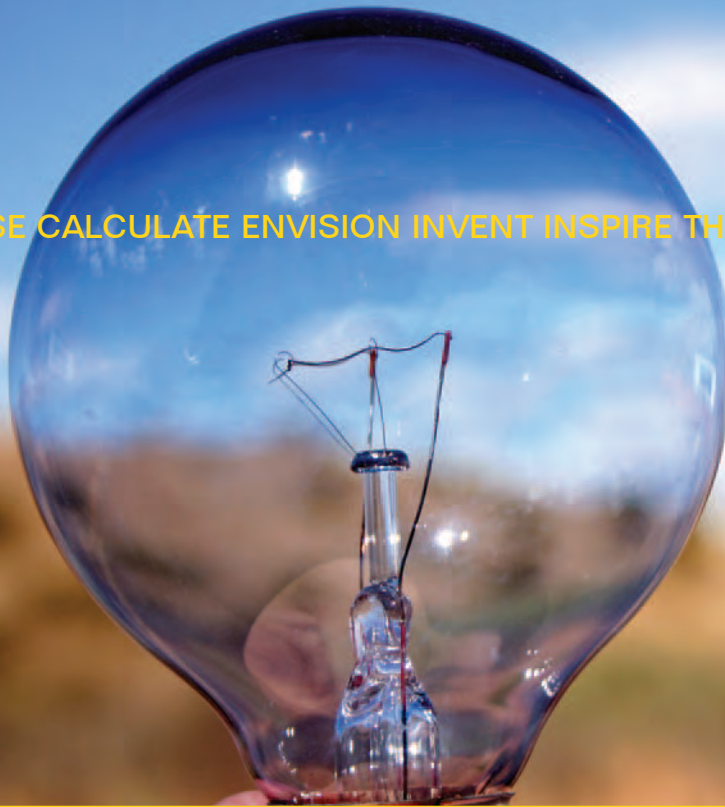
Dr Aris A. Syntetos
(University of Salford, UK)
e-mail: a.syntetos@salford.ac.uk
tel. no: + 44 (0) 161 295 58 04



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Transformation Lessons From Coca-Cola Enterprises Inc.



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The International Institute of Forecasters Certificate of Forecasting Practice

The International Institute of Forecasters (IIF) is launching a certification program. The IIF invites potential course providers to submit appropriate courses for evaluation by the IIF; a successful validation will allow the course provider to be awarded an IIF Certificate of Forecasting Practice on successful completion of the course.

- The course should consist of approximately 200 study hours (total student time commitment).
- The provider of the certificate should pay the IIF a fee (\$200) for each person registering for the certificate.
- The provider should describe the entry standards into the proposed certificate course.
- Assessment may be through a variety of mechanisms and need not necessarily depend on formal examination.

- The course must cover the following topics:

TOPIC

Introductory data collection & analysis
Basic Statistics
The Organisation and Management of Forecasting
Forecasting the economy and its impact on the firm
Extrapolation methods
Introductory econometrics
Judgemental approaches
Choosing between forecasting methods; combining

- An illustrative list of topics that could be included in a certificate follows:

TOPIC

Introductory marketing and economics
Scenario forecasting
Advanced time series
Advanced econometrics
Financial forecasting
New product forecasting
Market research (qualitative)
Qualitative forecasting methods
Information systems and data bases
Macroeconomic Forecasting

- Teaching of the material may include a variety of delivery modes and should include project work and case studies.

think forecasting potential.

In order to gain IIF Certification, course providers should send full course details to:
P. Geoffrey Allen
Secretary-Treasurer of the IIF
Department of Resource Economics
University of Massachusetts
80 Campus Center Way
Amherst, MA 01003-9246 USA
Phone: +1 (413) 545-5715
Fax: +1 (413) 545-5853
allen@resecon.umass.edu

