

MARKET FORECASTING: CONCEPT AND EVALUATION OF DIFFERENT METHODS OF MARKET FORECASTING

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ABSTRACT

Though important, the concept of market forecasting is often overlooked in practice. One reason for this attitude is the complexity associated with market forecasting. Hence this paper revisits the concept along with an evaluation of different methods of market forecasting. The concept involves projection of the market size based on various factors including past sales, opinion of the sales force, judgment of the experts, and others. In fact, these are the different methods of market forecasting. Each method has some advantages and disadvantages. It is possible to use more than one method to forecast the market. Choice of a particular method of market forecasting would depend on the type of the product, type of the market and other such factors. In any case, the marketing function should do market forecasting and try to be reasonably accurate with it. Marketers while choosing a particular method of forecasting should see the balance between the pros and cons of the method and make a rational choice.

Keywords: Market forecasting, Time Series Analysis, Trend Analysis, Expert opinion

Introduction

A marketing forecast is an examination that projects the future trends, attributes and numbers in an objective market. It gives expected numbers that an organization expects dependent on market research. Marketing forecasts assist with seeing the number of leads the organization will create inside a particular timeframe and how the leads will travel through the various phases of lead sustaining process before they are prepared to make a buy. It assists with understanding which marketing channels will create the most leads and how deals probably will perform. By seeing the number of imminent clients are in each phase of the revenue cycle and how they travel through each stage, one can gauge the number of new freedoms and clients one will produce in the future. Marketing forecasting enables marketers to investigate the drawn out effect of their endeavors. For instance, they might guess that assuming they play out a particular marketing action, they can expect a specific number of leads inside a specific measure of time and a particular measure of revenue that will result from those leads. Organizations need to create marketing plans to decide their essential headings. A marketing forecast is at the foundation of the marketing plan since it forecasts the results and revenue the business will achieve. A marketing forecast is in the end an educated theory concerning what could happen reliant upon a versatile

system. In any case, there are different procedures that can be used to accomplish the marketing forecast. In this paper we evaluate popular methods of market forecasting based on their advantages and disadvantages.

Literature Review

Armstrong (2001) has stated that simple methods are preferable to complex methods; they are easier to understand, less expensive, and seldom less accurate. To select a judgmental method, determine whether there are large changes, frequent forecasts, conflicts among decision makers, and policy considerations. To select a quantitative method, consider the level of knowledge about relationships, the amount of change involved, the type of data, the need for policy analysis, and the extent of domain knowledge. When selection is difficult, combine forecasts from different methods.

Armstrong and Green (2005) have written that they have reviewed the evidence-based literature related to the relative accuracy of alternative methods for forecasting demand. The findings yield conclusions that differ substantially from current practice. For problems where there are insufficient data, where one must rely on judgment. The key with judgment is to impose structure with methods such as surveys of intentions or expectations, judgmental bootstrapping, structured analogies, and simulated interaction.

Sanders and Manrodt (2003) state that in an era where forecasts drive entire supply chains forecasting is seen as an increasingly critical organizational capability. However, business forecasting continues to rely on judgmental methods despite large advancements in information technology and quantitative method capability, prompting calls for research to help understand the reasons behind this practice.

Hughes (2001) observe that although many surveys have been conducted on forecasting practice, the majority of surveys have investigated the utilization of forecasting methods and relatively few have studied the role of forecasting in changing organizational structures. The aim of this paper is to address this issue by expanding on earlier case studies which suggested the need for a re-location of the forecasting function within the organization. Current research has shown how the role of forecasting has changed as organizations adapt to meet the business needs of their customers.

Majid (2018) write that statistical tools for forecasting purpose started using smooth exponential methods in 1950s. These methods were modified depending upon the trend followed in the data sets, based upon the evaluation purpose. From simple additive to multiplicative effects and then automated functions were used to evaluate the complexity in data for forecasting purpose.

Methods of market forecasting *Time series analysis*

Based on given sales for a couple of years, the future sales pattern is anticipated. Along these lines, the future sales are forecast based on sales figures of the past 5 to 7 years with the assistance of extrapolation.

Advantages:

1. This strategy is more affordable.
2. It takes similarly less time.
3. Use of PC can speed up, unwavering quality, and exactness by manifolds.
4. No need to accumulate suppositions, it is simple method. On the off chance that one has adequate data, it is a lot simpler strategy.
5. It gives more exact results to transient forecasting.

Disadvantages:

1. Statistical complexity of since quite a while ago run projection of pattern may not create an accurate assessment of things to come pattern.
2. Statistical staff might be fundamental, and, so it is costly.
3. Very few marketing people can appreciate time series investigation. It depends on a ton of suppositions.
4. It is inaccurate to say that the previous patterns will be rehashed. In quick changing marketing setting, the past turns out to be less significant for measuring the future patterns.
5. The tremendous effect of outer determinants isn't mulled over for gauge reason.

Survey of Buyers' Intentions Technique

It is additionally perceived as clients' assumptions or sentiments review. It is prevalently utilized technique for sales forecasting. A deal is the result of client goal to buy the item. A few organizations direct periodical survey of clients' buying interest to recognize when and the amount they will buy. An example of potential clients is overviewed intermittently to recognize the amount of the expressed item they would buy at a given cost during a particular future time span. Scarcely any organizations keep a perpetual example of buyers known as the board to assemble required data consistently.

Advantages:

This method provides following advantages over the rest of methods:

1. More appropriate and dependable information can be gathered.
2. This method is more appropriate for industrial products.
3. It is extremely effective for short-run sales forecasting.
4. This method is verified effective when customers state their purpose clearly and stick to it.

Disadvantages:

Following are the disadvantages of the method:

1. It is helpful for just short-run forecasting.

2. It is a costly technique and requires a great deal of arrangements. Additionally, it requires a gigantic measure of time.
3. Customers may not communicate their motivation plainly, or may not go about according to reason communicated.
4. In instance of exceptionally conveyed enormous number of clients, it's anything but relevant.
5. Poor reaction rate is the main issue in India. Clients don't react to the inquiries posed and additionally don't return study structure completely finished.
6. Purchase reason for existing is dependent upon change according to social and monetary circumstances. One can't anticipate consistent reason after some time.

Choice of the example of potential purchasers is intense assignment as who, the number of, and from which places respondents ought to be picked. Restrictions of testing become the constraint of the procedure.

Composite of Sales Force Opinion Method

For assessing the future demand, the organization's sales force sees are taken as an establishment. Since salesmen have immediate and close association with customers, contenders, vendors, and generally market climate, they can offer more dependable estimates of things to come sales.

Advantages:

Organization can enjoy following advantages:

1. Sales chiefs have better comprehension into the current market trend than some other gatherings. Along these lines, more accurate gauge is conceivable.
2. It motivates and lifts sales chiefs as their feelings are considered by the organization.
3. It is suitable to all items and organizations.
4. Only restricted motivating forces are sufficient to get expected results.
5. It is a fast strategy to figure sales.
6. They can offer gauge with respect to items, region, and customers.
7. They battle to achieve the gauge they have advertised. Serious level of responsibility wins.

Disadvantages:

Disadvantages of the method comprise:

1. Sales leaders might not have time. Their normal work may endure.
2. Lack of involvement and capability to perform such undertaking.
3. Reliability is an inquiry. There is probability of control of evaluations.
4. The future sales are influenced by countless highlights. Sales chiefs may not be aware of them. Subsequently, the sales gauges given by sales leaders might be less dependable.
5. For their wellbeing, they may belittle sales.

Expert opinion method

Organization can likewise take help of specialists to acquire forecasts. The specialists contain vendors, providers, merchants, guides, and exchange affiliations. These specialists give their gauge independently or commonly in type of the pooled singular gauge. Alongside the evaluations, they likewise emphasize certain suppositions. Organizations speak with them once in a while or intermittently for their considerations concerning level of organization sales later on. A few organizations buy financial and industry forecasts from prestigious monetary organizations.

Advantages:

Expert opinion method provides following **advantages:**

1. Less costly and fast gauges can be acquired.
2. Balanced gauge is conceivable as more specialists are included.
3. Pooled information can be utilized. Specialists of a few fields add to sales forecasting.
4. It is the lone choice when the previous sales data are not open.

Disadvantages:

Though, it suffers from following issues:

1. It is anything but a logical methodology. Individual value, insight, and mentalities assume pivotal part.
2. It depends on views, and subsequently, dependability is consistently unsure.
3. It is hard to fix obligation of the last approximations as a few specialists add to forecasting.
4. It isn't achievable to get sales gauges with respect to items, customers, or locales.

5. Possibility of favoritism or inclination can't be disregarded.
6. All perspectives, right or wrong, might be given equivalent importance.

Conclusion

There are different methods of market forecasting. Some of them like time series are quantitative methods. Methods like expert opinion are qualitative methods. Each of the method has advantages and disadvantages. Decision of a particular method(s) would be based on appropriate weighing of advantages

and disadvantages. The method whose advantages outweighs its disadvantages would qualify for selection. At the same time choice of a particular method of market forecasting would depend on the type of the product, type of the market and other such factors. In any case, the marketing function should do market forecasting and try to be reasonably accurate with it. Marketers while choosing a particular method of forecasting should see the balance between the pros and cons of the method and make a rational choice.

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