

Forecasting and business trends

A forecast is a projection into the future that is based on evidence of past results, or on other appropriate information (e.g. what is happening in a similar market).

A survey carried out in 2000 revealed that online sales of music and videos and associated software are on course to account for 20% of the total market within 5 years. In order to create such a forecast it is necessary to look at figures for previous years e.g. 1998, 1999, and then 2000 to work out what the trend was. Using these trend figures it is then possible to forecast into the future. Forecasting is very important in marketing because it helps to give clear indications of what future demand for goods and services are likely to be.

Marketing involves anticipating customer needs and requirements. Forecasts then make it possible to respond to these changes.

Typical forecasts that help marketing are:

Type of forecast	How useful
Demand forecast	Outlines likely growth of demand for particular types of goods and services. Helps to set production and sales targets.
Supply forecasts	Gives an indication of what competitors are likely to supply to the market and hence helps organisations to prepare a competitive marketing mix.
Sales forecasts	Projects future sales, enabling promotional plans to be prepared and production targets set.
Production forecasts	Gives an idea of how a business is going to be able to respond to changes in demand and sales.
Profit forecasts	Establishes the likely financial outcomes resulting from changes in the market.
Advertising and promotional spend forecasts	Helps marketing understand the implications of changes in demand and sales.