Analyse of benefits and problems of forecasting trends in marketing research

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Abstract: Forecating trends is a complicated, but useful way to look at past sales or market growth, determine possible trends from the data and use of the information to extrapolate what could happen in the future. In marketing research forecasting trends typically utilize to help prediction of potential future sales growth. Many areas of a business can use forecasting trends and examining the concept as it relates to sales.

Key words: Forecasting trends, forecasting trends analyse, benifits of forecasting trends, dangers of forecasting trends, marketing research method, income sales, market position.

Introduction

The research will content briefly explanation about forecasting trends and use of forecasting in marketing research in example of real companies, which were researched by author.

Objectives of the research

- To analyse the use forecasting trends
- To examine of forecasting trends in marketing research
- To determine benefits of forecasting trends
- To determine dangers of forecasting trends
- To analyse preference of using forecasting trends

Research Questions

1. What is the purpose of the forecast trends?
2. Which systems will use the forecast trends?
3. How important is the past in estimating the future?
4. What makes a Good Forecast trends in marketing?

Methodology

For this research is used as example 2 small medium enterprices from Uzbekistan, for which were done Online interview about the preferences of using forecasting trends and made prediction of future sales using information from past sales, researching market position of the companies and analysing of products. And also a survey was conducted in a forum for businesses, among small enterprices about the use of forecasting trends method.

Forecasting trends

Forecasting trends – is a planning tool, that helps management to cope with the uncertainty of the future, relying mainly on data from the past and present and analysis of trends (By George J. Kress, John Snyder**)**.

Forecasting trends start swith certain assumptions based on the management experince, knowledge, and judgment. These estimates are projected into the coming months or years using one or more techniques such as Box-jenkins model, Delphi method, exponential smoothing, moving averages, regression analysis and trend projection (see Table1). Since any error in the assumptions will result in a similar or magnified error in forecasting, the technique of sensitivity analysis is used, which assigns a range of values to the uncertain factors (variables). A forecast should not be confused with a budget.

Why is forecasting trend important?

Demand for products and services is usually uncertain.

Forecasting can be used for

- Strategic planning (long range planning)
- Finance and accounting (budgets and cost controls)
- Marketing (future sales, new products)
- Production and operations

Some general characteristics of forecasts

- Forecast trends are always wrong
- Forecast trends are more accurate for groups or families of items
- Forecast trends are more accurate for shorter time periods
- Every dorecast trends should include an error estimate
- Forecast trends are no substitute for calculated demand.

Qualitative methods	Quantitative methods
Rely on opinions from one or more experts.	Rely on data and analytical techniques
Grass Roots: deriving future demand by asking the person closest to the customer.	Time Series: models that predict future demand based on past history trends
Market Research: trying to identify customer habits; new product ideas.	Causal Relationship: models that use statistical techniques to establish relationships between various items and demand
Panel Consensus: deriving future estimations from the synergy of a panel of experts in the area.	Simulation: models that can incorporate some randomness and non-linear effects
Historical Analogy: identifying another similar market	
Delphi Method: similar to the panel consensus but with concealed identities.	

Analyse of using forecasting trends in marketing research

In marketing research forecasting trends usually use for prediction of sales. These forecasting method is generally based on recent sales trends, competitive developments and economic trends in the industry, region or nation in which the organization conducts business. Sales forecasting is management's primary tool for predicting the volume of attainable sales. Therefore, the whole budget process hinges on an accurate, timely sales forecast. (*E-Learning Market Trends & Forecast 2014-2016 By Docebo)*

Factors in sales Foreacsting

Through forecasting sales the company determines markets for products, plans corporate strategy, develops sales quotas, determines the number and allocation of salespeople, decides on distribution channels, prices products or services, analyzes products and product potential in different markets, decides on product features, determines profit and sales potential for different products, constructs advertising budgets, determines the potential benefits of sales promotion programs, decides on the use of various elements of the marketing mix, sets production volume and standards, chooses suppliers, defines financing needs, and determines inventory standards *(Tim Berry, Sales and Market Forecasting for Entrepreneurs 2009).*

In order to use forecasting sales manager ought to consider all of the following factors

- Historical perspective
- Business competence
- Market position
- General economic conditions
- Price index
- Secular trends
- Trend variations
- Intra-company trends
- Product trends

Forecasting trends methods in research vary greatly. Each portends to assess future events or situations, which will impact either positively or negatively on a business's efforts. Managers prepare forecasts to determine the type and level of demand for both current and potential new products. They consider a broad spectrum of data for indications of growing and profitable markets. Forecasting, however, involves not only the collection and analysis of hard data, but also the application of business judgment in their interpretation and application. For example, forecasting requires business owners and managers not only to estimate expected units sold, but also to determine what the business's production costs will be to produce those items.

Forecasting trends in small medium enterprices

Nowadays in the Uzbekistan market there are a lot of small medium enterpices, which is engaged in a variety of industries. Many companies to be on the first position in the market produces a variety of innovative products, comes up with strategies to improve the performance of companies. In order to find out how companies produce marketing research and choose what types of method prefer to use, the author conducted a survey among them. Author according to a survey wants to identify the preference of using forecasting trends method in marketing research among small enterprises in Uzbekistan. Based on research survey, which was attended by 100

SMEs[1] in Uzbekistan, which is engaged in sales industry, in service industry, production. The following pie chart (see Figure 1) shows whick kind of method in marketing research, SMEs prefer to use.
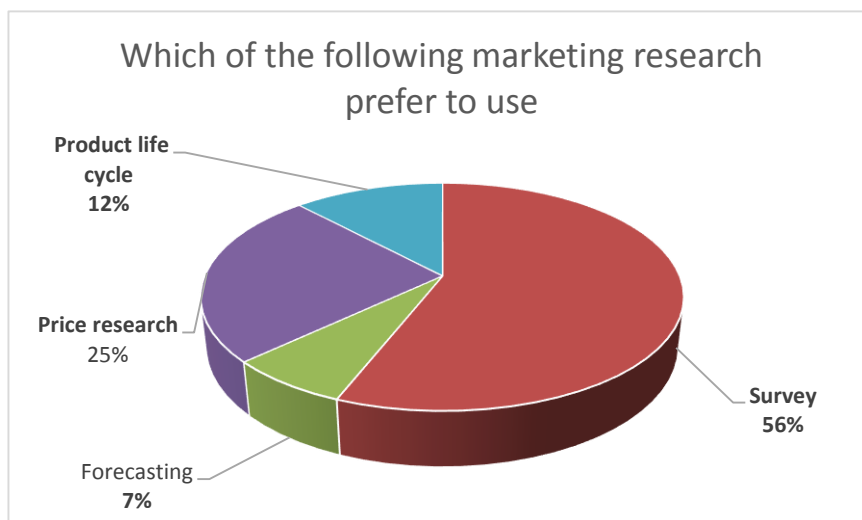

Figure 1 Preference of the companies

Based this information it indicates that a lot SMEs prefer to use Survey method (56%) instead of Forecasting (7%). Accorting to survey it explains why forecasting has the least percentage. The main reason of this indicator is that many SMEs predict that using forecasting trends are risky (see Figure 2)
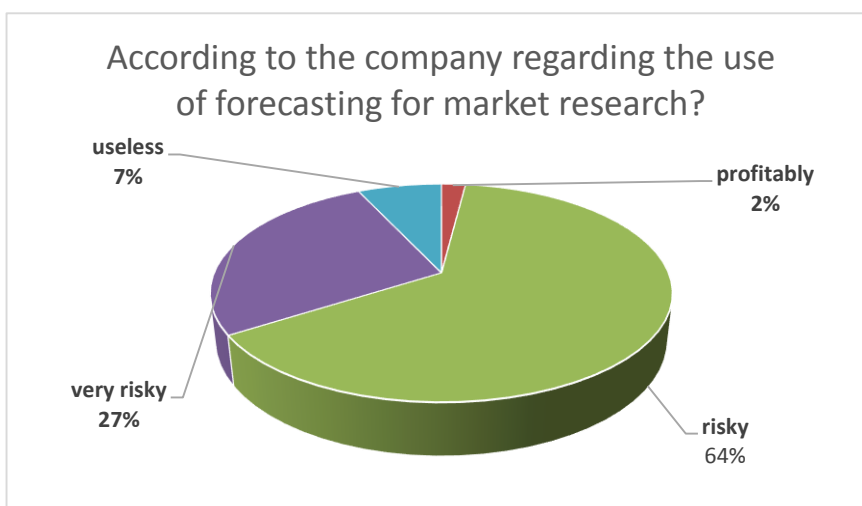
Figure 2 Companies opinion about foreacsting

The second main reason of this indicators is that SMEs can not be trust in results of forecasting (see Figure 3)

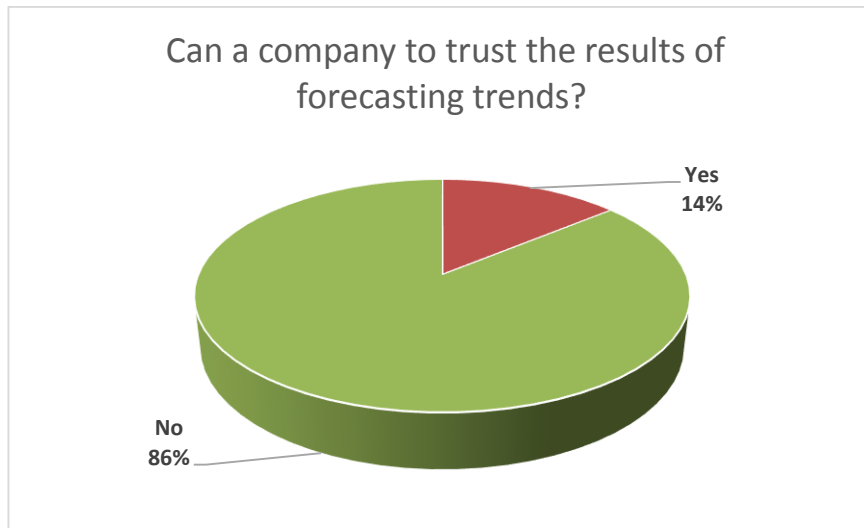
[1] SMEs – small medium enterprices

Figure 3 Confidence in the merhod

Except this lowest result among SMEs, which participated in this survey in total 6% of SMEs have used forecasting method in their markeitng research (see Figure 4)
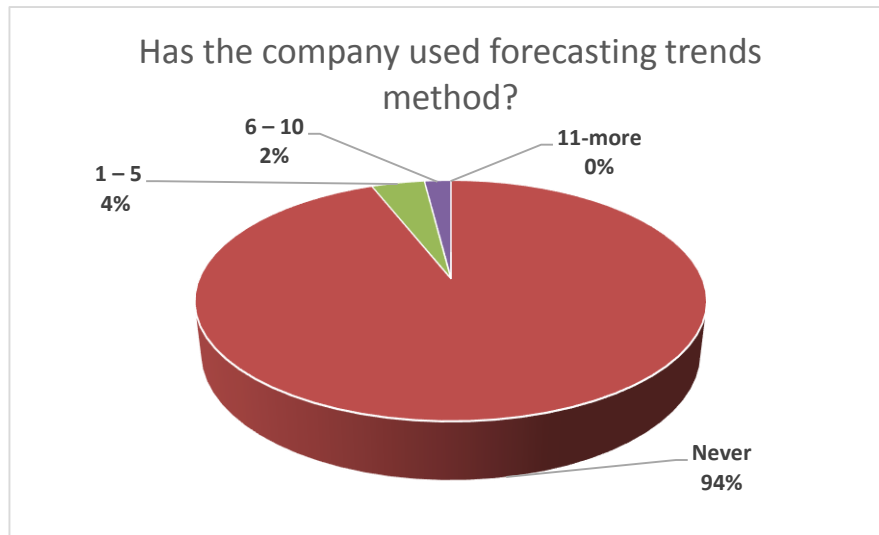

Figure 4 The number of using forecasting trends

However this research shows that many SMEs have never used forecasting trends in their research. Based this results of survey, it shows that in future 24% surveyd SMEs will try to use foreacasting trends method in future (see Figure 5), while the other 76% will not ready to use it. By author opinion the main reason for this indicators were described above.
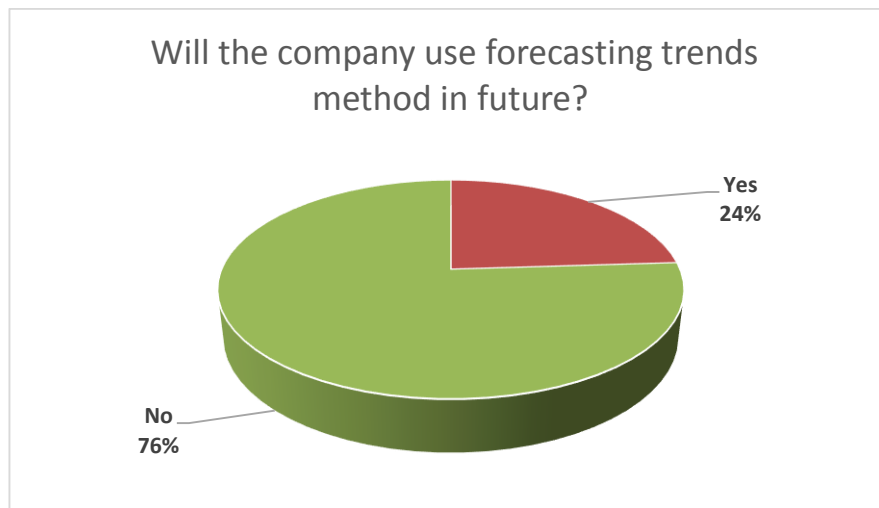
Figure 5 Appetence to use it

Benefits of using forecasting trends

Vatan Trading Ltd – is the small medium enterprice in Uzbekistan, which sells computer and computer equiments, supply and installation of telecommunications and networking equipment. The company's sales during the 2010 – 2013 years was in fluctuated situation (see Figure 6).
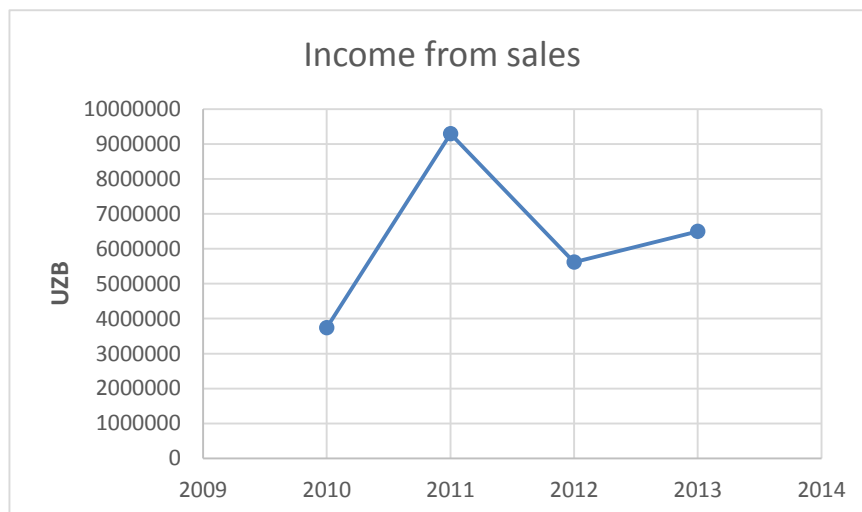

Figure 6 Vatan Trading Ltd income

For this company has been done forecasting for the next 3 years using trend line method, gathering information from the past sales.
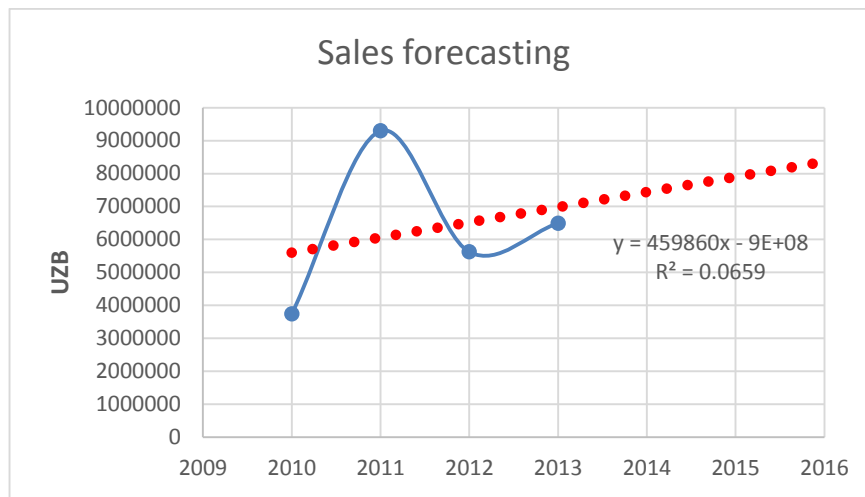
Figure 7 Forecasting of future sales

Using forecasting trends method in 2014 amount of sales predicted to reach approximatelly 7550000 UZB sum[2] (see Figure 7) and reach more higher sales in the following 2 years. After this researc the number of sales in 2014 were 9311595 UZB sum (see Figure 8), which shows that forecasting trends method was true and conjuctured. But it is not exactly, that the next two years will also conjectured.
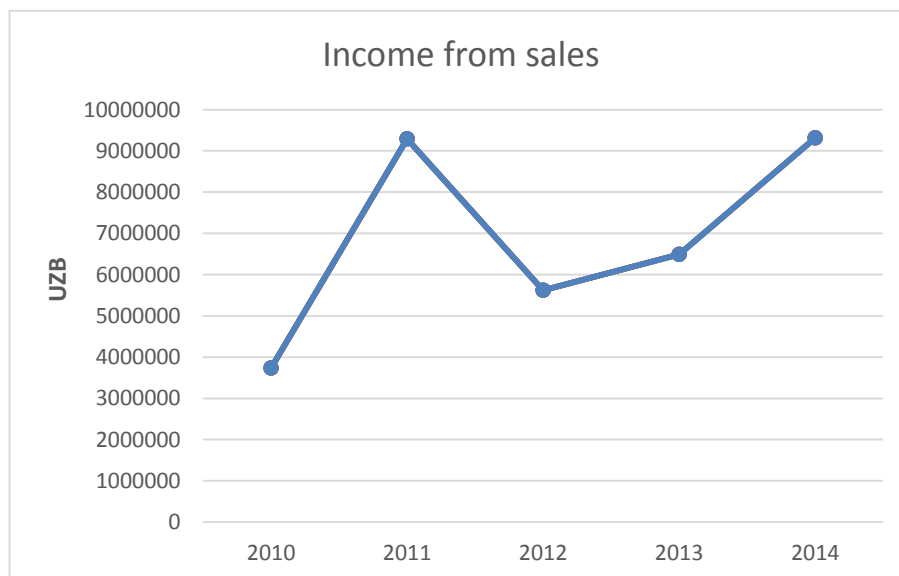

Figure 8 Income from sales after forecasting

After deeply researching market position of the company, analyse company's product and competitive developments and economic trends in the industry The given forecasting merthod was accurate due to not only past income sales, but also studying all the function described above.

Problems of using forecasting trends

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[2] Uzbekistan currency

Maorif Plus – is Uzbekistan small medium enterprices, which deals in IT industry. The last 4 years, the position of the company in the market was in good position, due to rapidly increase of sales (see Figure 9)

Figure 9 Maorif Plus income

Based on past infromation of sales was done research using forecasting trends in order to predict the future sales for the next 3 years (see Figure 10)
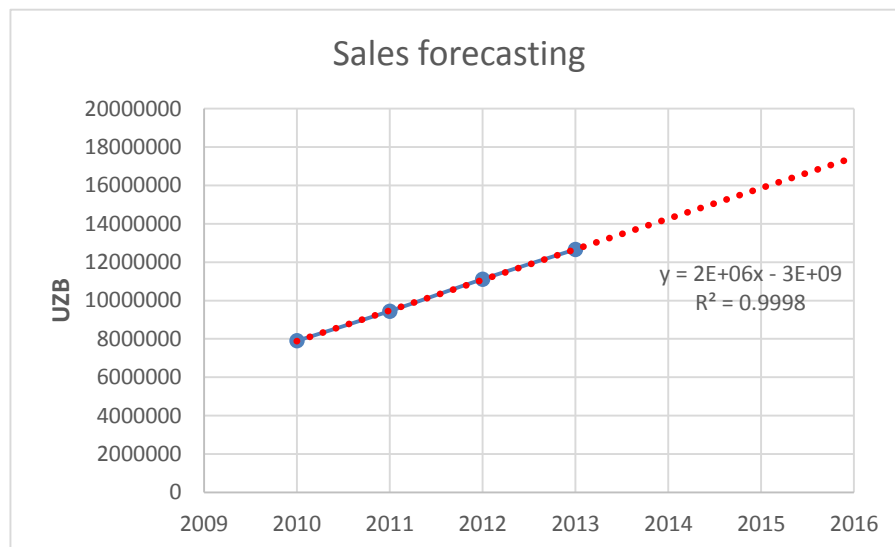

Figure 10 Forecasting of future sales

Based this forecasting it shows that the amount of income in 2014 would reach more than 1400000 UZB sum. But in real in 2014 the income from sales was declined sharply (see Figure 11). This result shows that forecasting trends are always wrong and can not be exactly predicted and it is not true that the next 2 years the income from sales will increase or not.
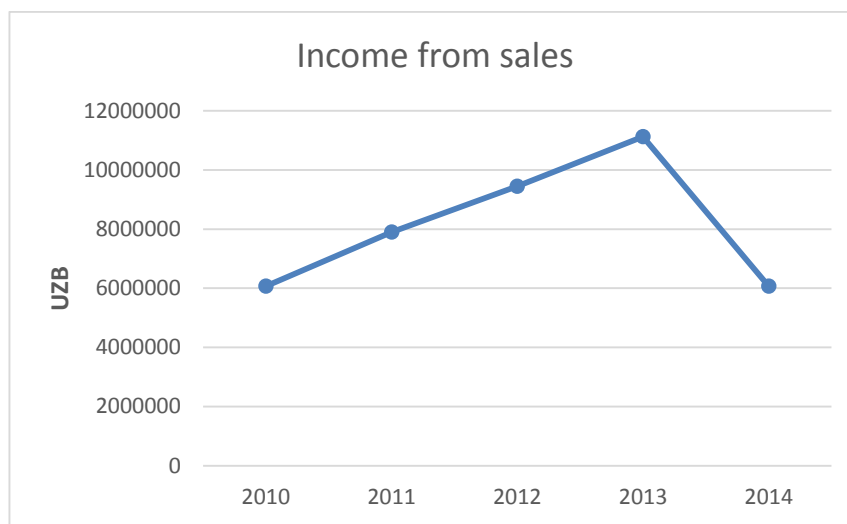
Figure 11 Income from sales after forecasting

One of the main reason why the given forecasting was not accurate is that forecasting trend was based on past income sales without researching market position, analyse company's products, competitive developments and economic trends in the industry.

Conclusion

It can be said and include that forecasting trends method in marketing research is more modern method as online marketing, social media. Because nowadays forecasting trends investigate using automatical technological programms, but it is impossible to be precise in predictions, mainly in marketing, because in our time the market change rapidly, producing of new products continues to increse, which mean that all these will impact on activity of companies. In futher will predict not exactly numbers.

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