The size and complexity of the marketing task in all kinds of enterprise has substantially increased in recent years. The growing diversity of customer needs in a rapidly changing environment has resulted in shorter product life-cycles. Distribution patterns have changed dramatically in most markets, and have been complicated by the geographical dispersion of operations and the growing internationalisation and scale of businesses. In addition, the socio-cultural, legal and political environments in which managers have to operate have become more volatile and the volume of data and information available has mushroomed. Added to this is the ever-present difficulty of measuring the behavioural aspects such as organisational and psychological influences which impact on marketing decisions.

The result of all this is that it is becoming increasingly difficult to forecast with anything like the accuracy that was possible when markets were more stable. Nevertheless, this is a necessary task and one which has to be done well, since the consequences of being wrong can be very severe indeed. Crucial to this is a good understanding of the differences between macro and micro forecasting and the ability to utilise both qualitative and quantitative methods.

The selection of an appropriate forecasting approach or set of techniques is dependent on four main factors:

- The degree of accuracy required, which, in turn, will depend on the risk associated with the decisions which will be based on the forecast.
- The availability of data and information, which will determine the techniques which can be utilised for making forecasts.
- The time-horizon required, which will, again, affect the approach to be adopted.
- The position of a product in its life-cycle, which will influence both the time-horizons sought and the types of data and information which will be available.
Macro and Micro Forecasting

Macro forecasting is essentially concerned with forecasting markets in total. In adopting a macro approach, the emphasis is on observing the broad picture and, from that, deducing the implications for the products and markets in which an organisation is interested. Some form of macro forecasting has to precede the setting of marketing objectives and strategies. Other forecasts should come after the company has decided which specific market opportunities it wants to take advantage of and how best this can be done.

Micro forecasting is more concerned with detailed unit forecasts and should normally come after the organisation has set its major objectives and strategies. These obviously deal with shorter time-horizons such as an organisation’s sales predictions for the next period. For this type of forecast, qualitative extrapolative techniques may be appropriate, although, in general, simple extrapolations are fraught with dangers. It must be recognised here that such projections are based on the assumption that what has happened in the past will be a guide to what will happen in the future. A more appropriate micro approach is to build up, from an individual customer level, an estimate of what the total sales of a product could be in a given period.

Forecasting Techniques

While there are many techniques which can be applied to the making of forecasts, they usually fall into one of two categories: quantitative techniques; and qualitative methods. Quantitative approaches, as the name implies, refer to a forecast made on a numerical basis of some kind and usually involve some form of statistical analysis. Qualitative estimates are more intuitive in nature and rely on the skills of individuals in interpreting the world around them as they see it, based on their experience, the quality of their imagination and their knowledge of the area under discussion. In the end, the outcome of a qualitative forecast should, of course, also be quantitative in nature. It is the methods of arriving at the projection which differ.

A combination of forecasting techniques is usually required for any one forecast.