

Forecasting Applications: A Comparison

Application	Marketing Mix Modeling: Explanatory	Sales Resource Optimization: Explanatory	Business Forecast: Extrapolative	Business Forecast: Explanatory <i>Future Ready</i>	Business Forecast: Explanatory <i>Demand-Driven Forecasting</i>
Planning Issue	Size and allocate all or a portion of planned marketing budget	Size and allocate all or a portion of planned sales force budget	Develop a product(s) forecast	Develop a product (s) forecast	Develop a product (s) forecast
How forecast developed	Multiple time series	Multiple time series	One time series	Multiple time series	Multiple time series
Marketing plans drive forecast (i.e., they are independent variables)	Yes	Yes	No	Yes	Yes
Marketing response functions required	Yes	Yes	No	Yes	Yes
Forecast's use	Within marketing	Within sales	Within enterprise	Within enterprise	Within enterprise
How forecast optimized	Prescriptively	Prescriptively	n/a	Descriptively (i.e., scenario analysis)	Descriptively (i.e., scenario analysis)
Objective function	Profit proxy: contribution margin by product	Profit proxy: contribution margin by product	n/a	Profit proxy: contribution margin by product	Profit
Forecast financially assessed	yes	yes	No	No	Yes
Best possible forecast, financially	No	No	No	No	No
Forecast operationally	Don't know	Don't know	Don't know	Don't know	yes

feasible					
Supply chain optimally feasible and sustainable to support forecast	No	No	n/a	No	No
Reference Articles	Hanssens, Parsons, Schultz, <i>Market Response Models</i> , "Integrating Market response Models in Sales Forecasting at Polaroid," pages 391-393	Sinha and Zoltners, "Sales-Force Models: insights from 25 Years of Implementation, <i>Interfaces</i> 31:3, Part 2 of 2, May-June 2001	Morlidge and Player, <i>ibid</i> , pages 110-112 Hanssens, Parsons, Schultz, <i>ibid</i> , pages 316-316, 377-378, 386-389	D.M.Hanssens, " Order Forecasts, Retail Sales and the Marketing Mix for Consumer Durables ", <i>Journal of Forecasting</i> , June-July 1998.	Chase, <i>ibid</i> , pages 259-275

*NOTE: "Extrapolative forecasts use only the time series of the dependent variable. Explanatory forecasts go beyond extrapolative by including causal factors thought to influence the dependent variable of interest." Hanssens, Parsons, Schultz *ibid*

**NOTE: "Business forecasting takes place when it is possible to steer the business within the constraints of existing goals, scope and structure of the business." Morlidge and Player, *ibid*