Comparison of Current Demand-Driven Applications with an optimized DDP

Application	Marketing Mix Modeling:	Sales Resource Optimization:	Business Forecast** Extrapolative*	Business Forecast** Explanatory*	Optimized Demand-Driven Planning
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	Size and allocate the entire projected income statement, creating the maximally profitable forecast
How forecast developed	Multiple time series	Multiple time series	One time series	Multiple time series	Prescriptively
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	Across enterprise
How forecast optimized	Prescriptively	Prescriptively	n/a	Descriptively (i.e., scenario analysis)	Prescriptively
Objective function	Profit proxy: contribution margin by product	Profit proxy: contribution margin by product	n/a	Profit proxy: contribution margin by product	Profit
Best possible forecast, financially	No	No	n/a	No	Yes
Best possible forecast, operationally	No	No	n/a	No	Yes

Best possible supply chain feasibly and sustainably	No	No	n/a	No	Yes
Reference Articles	Hanssens, Parsons, Schultz, *Market Response Models,* "Integrating Market response Models in Sales Forecasting at Polaroid," pages 391-393	Sinha and Zoltners, "Sales-Force Models: insights from 25 Years of Implementation, *Interfaces31:3, Part 2 of 2,* May-June 2001	Morlidge and Player, *Future Ready*, pages 110-112 Hanssens, Parsons, Schultz, ibid, pages 316-316, 377-378, 386-389	D.M.Hanssens, "Order Forecasts, Retail Sales and the Marketing Mix for Consumer Durables", *Journal of Forecasting*, June-July 1998.	optimized Demand-Driven Planning White Paper

*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