

New product forecast errors

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In early October, I sent a request to you for information on typical errors using forecasts made at the time decisions were made to introduce the products. In addition to Tull (1967), we now have studies on new product sales forecast errors by Kahn (2002) and on new product earnings forecasts by Beardsley & Mansfield (1978). Here are my conclusions:

1. New product sales and earnings forecasts are subject to much uncertainty. For example, the Mean Absolute Percentage Error for sales forecasts in Tull's study was 65%.
2. Given the high uncertainty, it is distressing that firms seldom use prediction intervals.
3. Generalizing from these and related studies on methodology, sales forecasting practitioners seldom employ relevant principles.
4. Little evidence exists on how various procedures can help to reduce errors.

It is unfortunate that we have so little evidence on this issue. Please let me know about additional evidence.

These studies are summarized on the "Benchmark Errors" section of the Practitioners page at <http://forecastingprinciples.com>.