# Answer on Question #63221, Economics / Economics of Enterprise

How do demand-forecasting methods for new products vary from those for established products?

**Answer:**

The complexity of the analysis of the demand for a new product is that no one knows about the behavior of this product on the market.

Such methods are used to analyze:

1. The initial prognosis can be obtained from the marketing department, until there is sufficient accumulated sales statistics. Normally marketers know better how much money is required for promotion of the goods, which is a reaction of consumers, and what will be the expected sale. This forecast should cover a period of at least six months, so that you can get enough of representative statistics for subsequent prediction.

2. The sales forecast can be constructed on the basis of statistics on sales of similar products. We know that many companies are completely renewed its product range on average every five years. However, some products are essentially new. Their appearance is connected with changes in the size, style, product, or simply with a radical revision of the nomenclature as the company marketing policy element. Such goods are forecast only based on estimates derived from the marketing department.

3. You can use the model of exponential smoothing, setting $\alpha$ coefficient of 0.5 or higher. As soon as will accumulate more and more of the statistics, the rate can be reduced to a normal level.

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