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- An organization faces several internal and external risks, such as high competition, failure of technology, labour unrest, inflation, recession, and change in government laws.
  - Therefore, most of the business decisions of an organization are made under the conditions of risk and uncertainty.
  - An organization can lessen the adverse effects of risks by determining the demand or sales prospects for its products and services in future.
  - **Demand forecasting is a systematic process that involves anticipating the demand for the product and services of an organization in future under a set of uncontrollable and competitive forces.**

- i. Types of Goods:** Affect the demand forecasting process to a larger extent. Goods can be **producer's goods, consumer goods, or services**. Apart from this, goods can be **established and new goods**. Established goods are those goods which already exist in the market, whereas new goods are those which are yet to be introduced in the market.
- ii. Competition Level:** Influence the process of demand forecasting. In a highly competitive market, demand for products also depend on the number of competitors existing in the market. Moreover, in a highly competitive market, **there is always a risk of new entrants**. In such a case, demand forecasting becomes difficult and challenging.
- iii. Price of Goods:** Acts as a major factor that influences the demand forecasting process. The demand forecasts of organizations are highly affected by **change in their pricing policies**. In such a scenario, it is difficult to estimate the exact demand of products.

### iii. Market Experiment Method:

Involves collecting necessary information regarding the current and future demand for a product.

This method carries out the studies and experiments on consumer behavior under actual market conditions.

In this method, some areas of markets are selected with similar features, such as population, income levels, cultural background, and tastes of consumers.

**The market experiments are carried out with the help of changing prices and expenditure**, so that the resultant changes in the demand are recorded. These results help in forecasting future demand.

There are various limitations of this method, which are as follows: a. Refers to an expensive method; therefore, it may not be affordable by small-scale organizations b. Affects the results of experiments due to various social-economic conditions, such as strikes, political instability, natural calamities

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Demand forecasting for new products is a challenging task. Here, there is no reliable data to base demand calculations.

Experiences of other firms also are not available Therefore, firms introducing new products will have to rely on new techniques of demand forecasting.