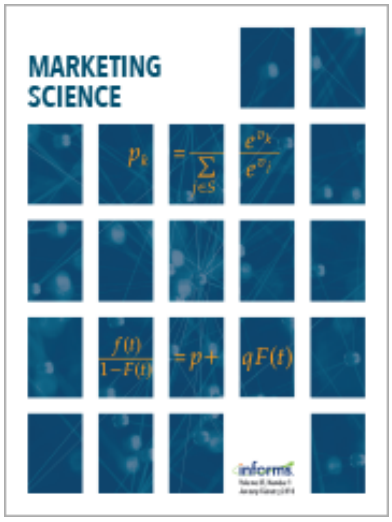

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Commentary

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COMMENTARY

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In today's highly competitive consumer markets, buying intentions ratings play an important role in forecasting both demand and sales for virtually all new products and services.

The specific contribution of intentions ratings, however, varies significantly by characteristics of both the product or service being forecast and the forecasting process itself. Forecasters of demand for new products or services must contend with some combination of the following:

1. *Value of consumer input.* In most instances, stated purchase intentions are based on reactions to concepts or mock-ups, because initial screening decisions must be made prior to commitment of significant resources. Interpretation can be extremely difficult when a product is truly "new," and hence outside the respondent's frame of reference, e.g., the electric carving knife or the microwave oven prior to introduction.

2. *Time to introduction.* For new products based on major technological innovation or requiring significant capital investment, initial consumer testing may be conducted several years prior to planned introduction. Factors that will influence consumer decisions can be expected to change during that period.

3. *Purchase characteristics.* Is the new product or service expected to be purchased as a gift? If so, who are the likely buyers and who are the likely recipients? Is the purchase decision likely to be influenced by more than one person? If so, who are the likely individuals and what is the expected role of each? And, of course, what do answers to each of these questions imply for the application and interpretation of consumer buying intentions?

Consider one example. General Electric's early concept research on the electric carving knife indicated that the product should be marketed as a gift from young adults to their parents. Inputs to development of the initial demand function included buying intentions from expected buyers. This was later modified by positive acceptance ratings from older gift recipients, a group that did not respond favorably during early concept tests.

The point of the above is that the practical value of published buying intentions studies for forecasters of new products is heavily dependent on a complete understanding of the product and its target market. Infosino's inability to provide this information for "proprietary reasons" is, in this writer's judgment, most unfortunate.

A second issue or limitation is whether the paper actually deals with "new products," as the term is generally used. The "product" in question is described as "a new pricing option for an [infrequently purchased] service to which the customer already subscribed." Each respondent was asked "the likelihood that he would buy the product at a specific price."

The research design and the key model assumptions related to willingness-to-pay and value are similar to those frequently used to study price and promotion elasticities for existing products.

Much of the published literature on the use of psychological variables for short-term sales forecasting of infrequently-purchased consumer durables, including a number of Infosino's references, can be traced to the pioneering work of George Katona.[1] Katona

[1] See George Katona, *Psychological Analysis of Economic Behavior*, McGraw-Hill Book Company, Inc., 1951.

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extended the Keynesian consumption function to postulate, first, that aggregate consumption is a function of disposable personal income *plus a willingness to spend that income* and, second, that willingness to spend is measurable. At a given time, "willingness to spend" is a function of the relative degree of optimism or pessimism felt by consumers. As Infosino puts it, ". . . consumers' willingness-to-pay may vary with their mood."

A generation of economists and marketers have invested substantial time and resources in measuring "willingness to spend" and using these measures to forecast sales by category, product and brand. Application to forecasts for existing products and services has met with substantial success. A particularly productive research design has been the reinterview panel.

This leads to a concluding point. Infosino's text implies that he has information from the same respondents at two points in time: "The information obtained for these 2642 respondents, that is their purchase intention ratings and whether or not they actually bought the product, is the basis for this study." Yet there is no turnover analysis comparing predicted and actual behavior for individuals.

This writer's work at General Electric with reinterview panels led to a strong conviction that analysis of intentions and eventual behavior, for individuals and groups of individuals, can provide powerful insight for development of forecasting models for infrequently-purchased consumer durables.[2]

[2] For one description of the General Electric panel, see Robert W. Pratt, Jr., "Continuous Information Systems: One Approach to Meeting Changing Management Needs," in Russell I. Haley (Ed.), *Attitude Research in Transition*, American Marketing Association, 1972.