Methods of Demand Estimation

What is demand estimation;

The science and art of converting the qualitative understandings of a market into quantitative data.

Importantance of demand estimation for agro dealers

<u>Input demand estimates help the dealer in</u>;
  Preparation of business plans
  Making the financial arrangements
  Working out quantity of inputs to procure
  Arranging the storage & transportation
  Formulation of   business strategy
  Developing the sales promotion strategy

Objectives of demand estimation

How much to sell

Where to sell

When to sell

How much to sell

Fixing the product wise , crop wise, month wise, and year wise targets for sale of inputs. The targets may also be fixed for different types of fertilizers varieties of seeds and brands & types of CPPs

Where to sell

Geographical area -Identification of market area i.e.provinces,districts,group of villages etc

Product range- determination of inputs based on crops grown-cereals, fruits or vegetables or live stock

Profile of customers - large, commercial or small scale farmers. Export growers, wheat milles,or food processors etc

When to sell

- To determine the period of peak, low and no demand
- To determine if inputs will be used for basal or top dressing
- To determine if inputs are needed for general use or for specialrequirements

Concepts of demand

Total market demand

Company demand

Marketing balance

What is total market demand

The total demand in case of agri inputs relates to the total quantity of seeds, fertilizers and pesticides, that may be purchased by all farmers, in a given area, during a specified cropping season, in a well defined policy environment and competitive marketing strategy

What is Company Demand

The company demand indicates the quantity of agri inputs, that may be sold by a particular marketing enterprise, out of the 'total market demand' for the area in the specified period.

Company demand is always less than the total demand and is quoted in % terms

What is Marketing Balance

In a given marketing environment, when all participating agencies,try to strike a balance between demand and supply, by arranging supplies equalent to the total market demand, the situation is called as the marketing balance

Sources of Information

Information to be collected for demand estimation is based on the following sources;

what people say

what people will do

what people have done

Sources of information---

what people say- Information is based on the views expressed by customer/farmers. It is believed that people   provide good indications of their intentions.

What people do-   It is based on the belief that what people do provides a good information, not withstanding what they may say.

What people have done- the past performance of a particular group of people is made the basis for their future actions.

Methods of demand estimation

Several methods are available for accuracy up to 95%,but requires accurate collection and analysis of data; For estimation of demand of agri inputs, following three methods are found suitable;

1.Survey of buyers intention method

2. Composite sales staff opinion method

3.Expert opinion method

1.Survey of Buyer's Intentions Method

- Relies on the information base of   "<u>what people say</u>"

- Believes that buyers themselves are the best source of information

- A questionnaire is prepared asking how much inputs will   farmer use next year.

- Questionnaire are posted to as many as possible farmers/opinion leaders

1.Survey of buyers-- contd

- A wholesale dealers may ask info from retail dealers, farmers and extension staff
- Provided Information is analyzed to draw inferences
- This is a good method as information is provided by right people
- This method can provide estimates as accurate as 90%

2.Sales staff Opinion Method

- IS   based on the belief that sales staff can

provide correct estimates of   their Sales
   territories

 IS appropriate when number of customers
   is large and spread out in wide locations

 Info is collected from field and regional
   sales offices and consolidated at HQ

3.Expert Opinion Method

- Believes that experts, research agencies, advisors,consultants,opinion leaders and sales executives maintain useful information and area good source

- Information   can be secured as per need at a short notice with less cost

- Is convenient for small enterprises

- Accuracy depends on the level of experts and can be up to 90%

Improving the accuracy of demand estimation

- Define the objectives clearly
- Decide the level of accuracy required
- Select an appropriate method
- Select reliable sources of data
- Depute competent and experienced persons to collect and analyze data