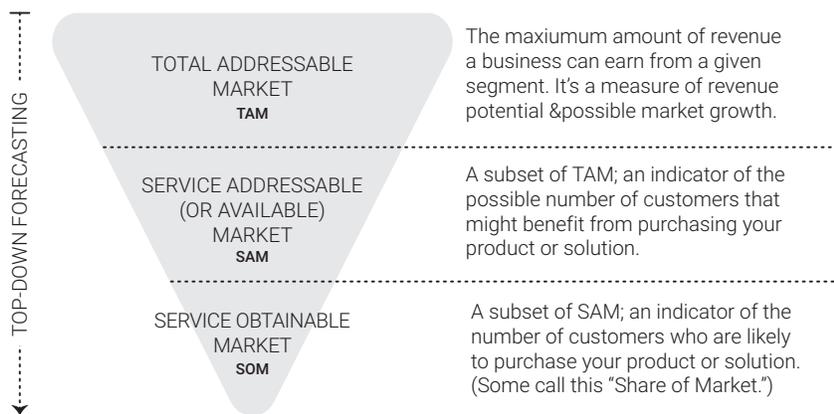


Forecasting for the Product Manager

Forecasting market potential requires that you consider many factors to determine future product or business viability. Once this attractiveness is understood, the product team is in a better position to decide if the market is substantial enough and accessible enough to continue pursuing. There are two approaches: one from a broad view (top-down) and the other based on current data (bottom-up).

Top-down forecasting is complex and provides a broad perspective on the actual size of a segment or subsegments. It doesn't allow for timing or cadences that would indicate what could be sold to whom and when, but it is certainly a useful tool to approximate future market potential. This is shown in the diagram below.



Bottom-up forecasting is generally what you'll encounter as a product manager when you're estimating future volumes, prices, and revenue for current products. When you propose to add a product to a product line, enhance or upgrade a current product, or make other investments to increase market share, you'll benefit from this approach.

