# Chapter 6 - Judgmental forecasting: A review of progress over the last 25 years (summary)

Judgmental forecasting is when people use their own knowledge and experience to help make predictions. This can include managers, experts, or anyone familiar with the topic. In the past, researchers thought using human judgment in forecasting was risky and could lead to errors. But over the last 25 years, that opinion has changed. Now, people see that judgment can actually improve forecasts when used the right way, especially when combined with data and statistical methods.

In real business situations, managers often change or adjust computer-generated forecasts based on what they know. For example, they might be aware of upcoming sales, marketing campaigns, or actions by competitors that are not included in the data. A well-known case is when Nike spent $400 million on a forecasting system that did not include any input from managers. The system failed and caused major losses, which showed that ignoring human judgment can be a big mistake.

There are different ways judgment is used in forecasting. Sometimes, people make predictions using only past data, such as a product's sales history. This helps researchers compare how well human forecasts perform against computer models. But most of the time, people also use outside information like promotions, market trends, or economic changes. This extra knowledge usually helps make forecasts more accurate.

Judgmental forecasting is not just about giving a single number. It can also include prediction ranges or probabilities to show how sure someone is about the forecast. This is especially useful in areas like finance or economics where uncertainty matters a lot.

Researchers have also studied how to improve judgmental forecasting. Some helpful strategies include giving feedback to forecasters, breaking complex problems into smaller parts, and combining human judgment with model-based predictions. Even though we have learned a lot, there are still many questions to explore, like how expert knowledge really affects forecasting and how to best use judgment in different situations.

## References

Michael Lawrence, P. G. (2006). Judgmental forecasting: A review of progress over the last 25 years. *International Journal of Forecasting, 22*(3), 493-518.