

**GOVERNMENT
COLLEGE FOR GIRLS
LDH.**

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What is Sales Forecasting?

- ❖ A sales forecast is a projection of the expected customer demand for products or services at a specific company, for a specific time horizon, and with certain underlying assumptions.
- ❖ Essential tool used for business planning, marketing, and general management decision making.
- ❖ Sales forecasting can help you achieve sales goals.
 - ❖ Sales forecasting can help drive sales revenue, improve efficiency, increase customer retention and reduce costs.

Factors affecting sales forecasting

External Factors

- Relative state of the economy
- Direct and indirect competition
- Styles or fashions
- Consumer earnings
- Population changes
- Weather

Factors affecting sales forecasting

Internal Factors

- Labour problems
- Inventory shortages
- Working capital shortage
- Price changes
- Change in distribution method
- Production capability shortage
- New product lines

Sales Forecasting Methods

QUALITATIVE

- ◉ Executive opinion method
- ◉ Delphi Method
- ◉ Sales force composite method
- ◉ Survey of

QUANTITATIVE

- ◉ Time Series Analysis
- ◉ Market Test Method
- ◉ Regression Analysis

Executive opinion method and Delphi method

EXECUTIVE METHOD : Most widely used .

Method of combining and averaging views of several executives regarding a specific decision or forecast. Leads to a quicker (and often more reliable) result without use of elaborate data manipulation and statistical techniques.

. **Delphi Method** : Process includes a coordinator getting forecasts separately from experts, summarizing the forecasts giving the summary report to experts who are asked to make another prediction; the process is repeated till some consensus is reached .

Sales force composite method

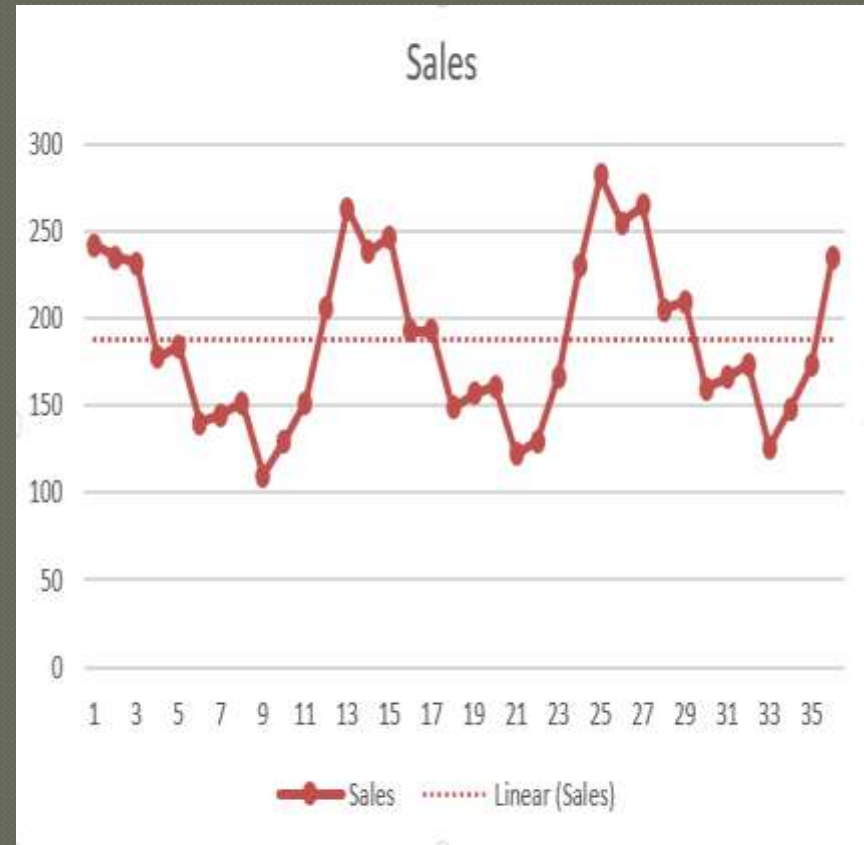
- Also known as “Grassroots Approach”
- Individual salespersons forecast sales for their territories
- Individual forecasts are combined & modified by the sales manager to form the company sales forecast.
- Best used when a highly trained & specialized sales force is used.

Survey of Buyer's Intentions Method

- Process includes asking customers about their intentions to buy the company's product and services
- Questionnaire may

Time Series Analysis Method

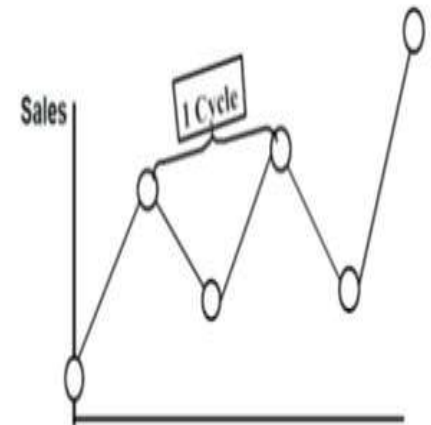
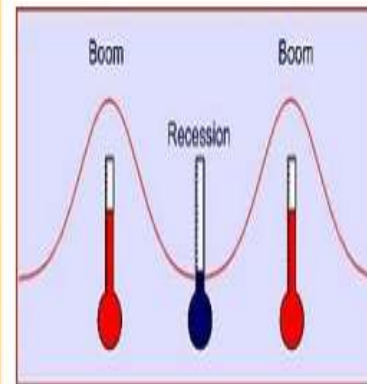
- Make forecasts based purely on historical patterns in the data. It has four components .
- The Trend component- Gradual upward or downward movement over time.



- The Cyclical Component
Sales are often effected by swings in general economic activity as consumers are

Cyclical Component

- Sales are often effected by swings in general economic activity as consumers have more or less disposable income available.



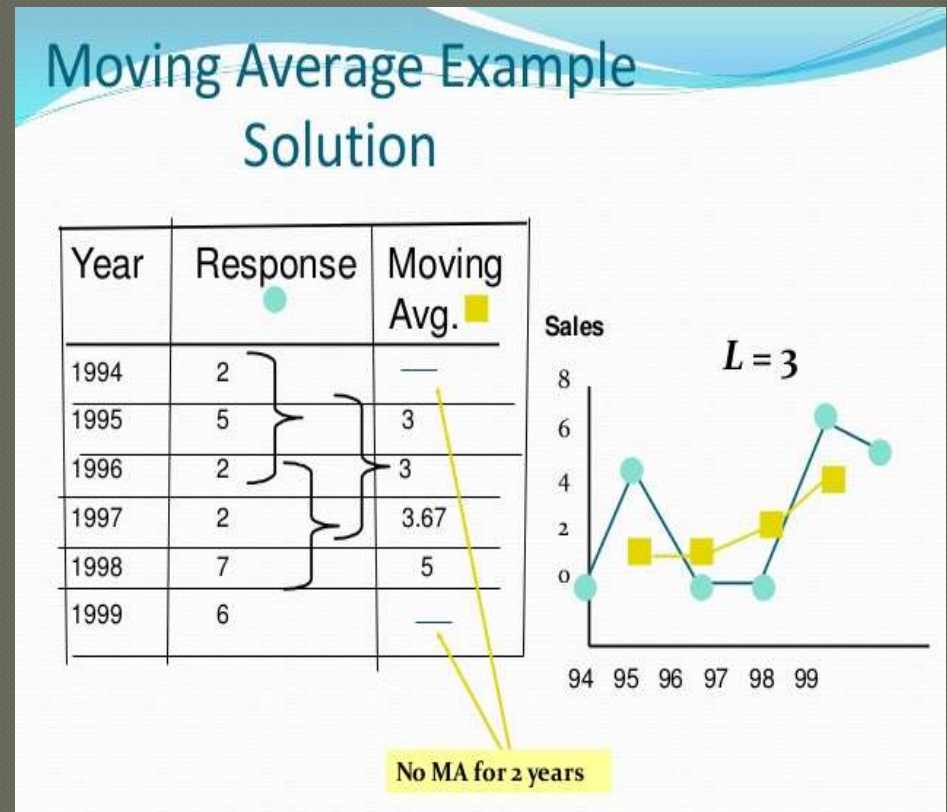
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- The Seasonal Component It is a distinguished pattern to sales caused by things such as the weather, holidays, local customs and general consumer behaviour. The Seasonal Component .
 - The Erratic events-Random Variations in data caused by change and unusual situations
 - Time series analysis are accurate for short term and medium term forecasts and more so when demand is stable or follows the past behavior.

Exponential Smoothing

- Similar to moving average method
 - Used for short run forecasts
 - Instead of weighing all observations equally in generating the forecast, exponential smoothing weighs the most recent observations heaviest
- Next year's sale = $a(\text{this year's sale}) + (1 - a)(\text{this year's forecast})$ a is

Moving Averages

- The sales results of multiple prior periods are averaged to predict a future period
- Called 'moving' because it is continually recomputed as new data becomes available it



Market Test Method

- Used for developing one time forecasts particularly relating to new products
- A market test provides data about consumers' actual purchases and responsiveness to the various elements of the marketing mix.
- On the basis of the response received to a sample market test

Regression Analysis

- Identifies a statistical relationship between sales(dependent variable) and one or more influencing factors, which are termed the independent variables.
- When just one independent variable is considered (eg. population growth), it is called a linear regression, and the results can be shown as a line graph predicting future values of sales based on changes in the independent variable.
- When more than one independent variable

Forecasting

- Better control of Inventory
- Staffing
- Customer Information
- Use for Sales People
- Obtaining Financing

Limitations of Sales Forecasting

- Part hard fact, part guesswork
- Forecast may be wrong
- Times may change

Thankyou.
