

- **Programme :** Bachelor of Commerce (Second Year)
- **Subject:** Commerce
- **Semester:** IV
- **Paper Code:** COG147
- **Paper Title:** GE 6 Salesmanship and Sales Management

- **Title of the Unit** : Unit II- Sales Management
- **Module Name** : Sales Forecasting – Meaning and Methods

Sandesh J. Naik, Ph.D

Assistant Professor,

Dnyanprassarak Mandal's College and Research Centre,

Assagao, Bardez-Goa

Outline

□ Sales Forecasting

- Meaning and Methods

Learning Outcomes

- **At the end of this module, the students will be able**
 - ✓ To recognize the meaning and methods of sales forecasting.

Sales Forecasting

- A sales forecast is a statement showing quantity and value of projected sales in terms of products, area, and duration.
- It is an estimate of future sales.
- Sales forecast is expressed in volumes and values to meet the needs of all the departments.

Sales Forecasting

- Ramond Villers has defined “ Sales forecasting” as “the determination of the firm’s share in future market.”
- According to H.H. Albers, “ a sales forecast may be defined as a quantitative projection of objectives over some period of time”.

Methods of Sales Forecasting

Methods of Sales Forecasting

- Whether it is a manufacturing company or it is a trading company, in both the cases, forecasting future demand is the first step in planning for production or in planning for sales in the market.

Methods of Sales Forecasting

- **1) Opinion of Executives**

- The oldest type of sales forecasting is a broad guess made by executives in charge of business.
- One or more top executives forecast future sales based on personal knowledge from talking to other managers inside and outside the company, through customer contacts or through reading published reports.

Methods of Sales Forecasting

- **1) Opinion of Executives**

- Delphi method

- In this method, independent opinions are sought from a group of experts.
 - The experts have to respond to a checklist of questions that are relevant to the forecast.
 - The opinions and responses are analyzed and if there are major differences on any particular issue, further discussion take place and the final forecast is prepared.

Methods of Sales Forecasting

- **2) Sales Force Estimates**

- Many companies base their sales forecasts upon the estimates given by salesmen.
- Sales managers can evaluate and merge individual estimates into an overall production for the territory or region.
- This process continues until a total sales figure is secured for the entire company.

Methods of Sales Forecasting

- **3) Customer's Expectations**
- Customers may be requested to communicate their buying intentions in a coming period.
- If a business enterprise sells products to a few key customers (e.g., in industrial marketing) this method is suitable.

Methods of Sales Forecasting

- **3) Customer's Expectations**

- If customer's purchase estimates are accurate, our sales forecasts will also be accurate.
- Surveying customer expectations can provide a valuable information for the enterprise for preparing its own sales forecasts, particularly when it is selling specialized costly goods to a limited number of buyers.

Methods of Sales Forecasting

- **4) Statistical Sampling**

- Sampling can be used to get total sales estimates.

- **Example**

- A company is selling consumer goods and has 20 sales territories.

- It can design a sample to get sales estimates in one district in each territory or region.

Methods of Sales Forecasting

- **4) Statistical Sampling**

- **Example**

- The districts selected should represent various economic levels on the basis of income and spending habits of people.
- If our sales estimates of subgroups are based on rational and scientific survey, our data can be safely extended to all the territories to get the total forecast of sales.

Methods of Sales Forecasting

- **5) Time Series Analysis**
- It is a common device of mathematical projections of future sales.
- It involves the projection of past sales trends into the future.
- **To predict future sales we analyze four kinds of historical sales variations**
 - ✓ Seasonal variations
 - ✓ Movements related to changes in the business cycles
 - ✓ Long term trends of sales
 - ✓ Irregular or unexplained variations

Methods of Sales Forecasting

- **6) Correlation Analysis**

- When there is a close relationship between sales volume and a well known economic indicator or index, we can conduct correlation study.
- A high correlation means that the extrapolated index values will indicate future sales volume.
- Example – Sales of petrol and automobile registration

Methods of Sales Forecasting

- **7) Market Share Method**

- The company works out Industry sales forecast, applies market share to arrive at company sales forecast.
- The market share is arrived after considering past sales, competition, brand image, etc.
- The manager should have adequate knowledge and experience to carry out this exercise.

Methods of Sales Forecasting

- **8) Test Marketing**

- The entire product marketing programme is tried out for the first time in a small number of well selected test markets, i.e., test cities or areas.
- It is necessary to find out the viability of full marketing programme for national distribution.
- It helps the company to learn through trial and error and get additional valuable clues for product improvement and modifications.

Conclusion

- Sales forecasts tell us how much income the company expects during the coming period of say, one year.
- Thus, sales forecasts form the basis of all planning by the company.

References

- Lancaster, D. J. (2020). *Selling and Sales Management*. Pearson.
- R. Krishnamoorthy. (2015). *Personal Selling and Sales Management*. Himalaya Publishing House

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