

## Quadrant II - Notes

Paper Code: COG147

Module Name: Sales Budget & Case Studies

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- **Sales budget**

Is a financial plan, which shows how the resources should be allocated to achieve forecasted sales? The main purpose of sales budget is to plan for maximum utilization of resources and forecast sales. The information required to prepare a sales budget comes from many sources.

Sales budget refers to the estimation of the sales revenue and the sales overheads for a particular period. A more accurate sales forecast means better utilization of resources, higher profitability and less wastage. Sales forecasting, which is nothing but an estimation of demand for goods or services in the market is essential for preparing a sales budget.

- **Importance of sales budget**

- **Determine Sales Goals:** Sales budget sets a target for the sales team which they have to achieve. The expected sales volume for a particular period is determined, and the efforts of the sales department are directed accordingly.
- **Cash Flow Management:** The company can estimate its future cash inflow and outflow through sales budgeting. This helps in determining the potential liquid cash and prepares for unfavourable market conditions.
- **Estimate Overhead Costs:** It also estimates the various administrative and sales expenses which the company has to bear

other than the manufacturing cost. Thus, determining the potential profit margin.

- **Develop Core Strategies:** A sales budget provides a base for action to the managers. The managers frame their strategies and utilize the resources to attain the desired sales goals.
  - **Streamlines Business Process:** All the business activities, i.e., production of goods or services, financing the operations, engaging the human resource and marketing activities, are based on the prepared sales estimate.
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- **Case Study: How IBM Changed Perception of Their Product & Increased Revenue**
  - **The Challenge**

The whole industry is abuzz with moving all information to the cloud, which can quickly make a product like IBM's mainframe, seem irrelevant. As the 50-year anniversary of one of their most popular products was quickly approaching, they knew it was time to transform the brand and reposition their offering.

- **The Journey of Brand Transformation & Repositioning**

IBM had a new technology coming out in January of 2015 and the 50<sup>th</sup> anniversary of the launch of the mainframe 50 in April of 2014. Many people wanted to run away from the term "mainframe" because it was associated with a legacy concept (which in the IT world is a dirty word). The company used this milestone as an opportunity to project and flip the perception.

- Instead, they focused on hitting some of the milestones and focus on what the product enabled, including helping put a man on the moon and ticketing systems for airline companies.
- The team at IBM developed a client led communication program called “The Engines of Progress”. They went into some of their biggest clients, and enabled them to tell their own stories about how they have changed their industries and the world.
- Global Scope as IBM moved away from a computer manufacturer to a technology solutions company, the organization developed its businesses into four main divisions. Global Technology Services (GTS) focused on client IT infrastructure needs and had revenue of \$36 billion while Global Business Services (GBS) handled consulting, system integration, and application management with revenue of \$18 billion. Additionally, Global Financing had revenue of \$2 billion by offering client financing.