Sales Forecasting

BTM-IVth
405-Sales & Advertising Management in Tourism
SOSTTM

Definition

- Forecasting is a process of predicting or estimating the future based on past & present.
- Business Forecasting can be broadly considered as a method or a technique for estimating many future aspects of a business.
- It is the process of predicting future environmental happenings that will influence the activities of the firm.

Sales forecasting gives insights into how a company should manage its employees, cash flow & resources.

Sales forecast is the expended level of company sales based on chosen marketing plan & assumed marketing environment.

Features

- Estimation of sales
- Prediction about future sales demand
- Provides information for budgeting & planning
- Consider environmental factors
- May be short term or long term

Factors Influences Sales Forecast

- Business condition
- Dynamic market condition
- Industry environment
- Internal & external environment
- Foreign trade policies

Process

- Determination of goals
- Determining the factors affecting sales
- Technique selection
- Data collection
- Market potential analysis
- Forecasting for future sales
- Concern industry forecast
- Formulation of operational program & budget
- Evaluation & revision of forecast

Method/Techniques

- Qualitative Method

  Executive opinion

  Delphi method

  Sales force composite

  Buyer’s preferences survey

Method/Techniques

- Quantitative Methods
  - Regression Analysis
  - Ratio Method
  - Time series analysis
  - Moving averages
  - Market factor analysis
  - Projection of past sales data

Limitations

- Lack of appropriate data
- Dynamic environment
- Change in customer preferences
- Based on assumptions & preferences
- Entry & exit of competitors
- Uncertain industry growth rate
- Complex mathematics & statistics
- Lack of professional forecasting executives