Product Management Notes Session 11 to 20

Session 11: Market Planning

Market Planning

•Development of Marketing Plan is one of the most important activity of the Product Manager

•Spendonaverage45dayseachyearinplanning

•Relying most heavily on the information from Salesforce, MIS and Marketing Research

Marketing plan can be divided in two parts:

•The situation analysis–

Analyses background of the market for the product

•The objectives, strategy and programmes based on the background analysis that direct the product manager's actions

Definition of a Marketing Plan:

•It is a written document containing the guidelines for the business

centre's marketing programmes and allocations over the planning period.

•Plan is a written document; helpful in providing continuity when management turnover occurs

•Plan is usually written at the business centre level–

Brand wise, group of brands or product wise

Definition of a Marketing Plan:

•Planning period or horizon varies from product to product. E.g., Retailing traditionally has short planning cycles to match seasonality of fashion trends

•Consumer durables like automobiles have longer planning cycles as lead times for product development are longer.

Strategic Planning and Marketing Planning are distinct

StrategicPlanning	MarketingPlanning
Usuallytakesplaceatahigherlevelinthe organisation thanmarketingplanning	
Takes place at corporate, group or SBU levels	Takes place at the business centre level
Objectives are broad(ROI)and strategies are general	Objectives and strategies are specific (market share)

Objectives of a Marketing Plan

•Define the current situation facing the product (How we got there)

•Define problem and opportunities facing the business

•Establish objectives

•Define strategies to achieve the objectives

•Fix responsibility for achieving product objectives

•Establish a customer-competitor orientation

Common Mistakes in the Planning Process

•Speed of the process–either too slow or too fast

•Amount of data collected tocollect sufficient data for proper estimation of customer needs and competitive trends

•Who does the planning–

Post development of strategic planning models (BCG etc.) many corporate s formed strategic planning groups.

Theplanning processwasdelegatedtotheseprofessionalplannerswhiletheimplementationoftheplanswaslefttotheLineManagers

Common Mistakes in the Planning Process

•Who does the planning–

Naturally the Line Managers resented the process. As a result of this hostility

The strategies were either poorly implemented or ignored.

At many successful companies “the people who plan are the people who execute”

Common Mistakes inthe Planning Process

•The Structure-

Any plan must be structured as it enforces discipline on the planners–

In terms of certain data must be collected and analysed.

However, the structure should not be too bureaucratic else planning will become a mere form filling exercise

Length of the plan Must be balanced, neither too long that managers ignore it nor so brief that it omits key details

Common Mistakes in the Planning Process

•Frequency of planning–

Problem occurs if product managers plan either more or less frequently than necessary.

Frequently re evaluation of strategies can make planning process more burdensome.

However, if plans are not revised the product's competitive position may deteriorate.

Common Mistakes in the Planning Process

•Number of courses of action considered–

Too few alternatives raise the likelihood of failure, or toomanywhichincreasesthetimeandcostoftheplanningeffort.

Itisimportanttohavediversestrategicoptions(bothgrowthandholdstrategies)asdiscardedstrategiesoftenproveusefulascontingencyplans.

Common Mistakes in the Planning Process

•Who sees the plan–

Increasing the 'buying' of the marketing plan increases its likelihood of success.

The successful implementation of a marketing plan requires consensus from as many corporate departments as possible.

Common Mistakes in the Planning Process

•Not using the plan as a sales document–

Purpose of a plan is to generate funds from either internal source (to gain budget approval) or external sources(to secure VC financing or JV partner).

An appealing plan with a good product manager's track record, has a better chance of budget approval.

Common Mistakes inthe Planning Process

•Insufficient senior management leadership–

Commitment from senior management is essential for the success of a marketing plan.

Frequent turnover of senior executives, values, background, attitude pre vents from development of a successful plan.

•Not tying compensation to successful planningefforts–

Product manager's compensation should be oriented towards achievement f the objectives stated in the plan.

Top-downPlanning–

Themarketingplansareformulatedbyeitherseniorormiddlemanagementwithassistancefromstaffandproductmanagement;tobeimplementedbyproductmanagers.

•Bottom-upPlanning–

Fieldsalespeopleareactivelyinvolvedinthe planning processbycollectingcompetitorandcustomerinformationandmakingforecasts.Theinformationis subjecttohigherlevelreviewbutlowermanagementpersonnelplaykeyrolesintheprocess.

Components of theMarketing Plan –Market plansummary

ExecutiveSummaryObjectives

SituationAnalysis¬ Category/competitordefinitionProduct/brandstrategy

CategoryanalysisSupportingmarketingprograms

Company& competitor analysisCustomeranalysis

PlanningassumptionsFinancialdocuments

Monitors&controls

Executive Summary

Abriefsummaryofthemarketingplanfocusingonobjectives,strategiesandexpectedfinancialperformanceisreviewedbyaseniormanager.

Situation Analysis

Thisisthehomework-partofthemarketingplan.

Thefirstmajorsectionoftheanalysisisdefinitionofthecompetitorscategory definition.

Theproductmanagerconsidersboth,close&distantcompetitorsandprioritizethem

ThecategoryanalysisThisidentifiesfactorsthatcanbeusedtoassesstheattractivenessofthe productcategoryorindustryinwhichtheproductcompetes.

Competitoranalysis–

Askswhothekeycompetitorsareinthemarketandwhattheirfuturelikely future strategies are.

•Customeranalysis–

Istoguaranteethattheproductmanagerretainsacustomerfocusatalltimeswhichiscriticaltosuccessinacompetitivemarketplace.

PlanningAssumptions–Dealswithwidevarietyofassumptionslike–

theproductsmarketpotentialisakeynumberinmakingdecisionsaboutexpectedfuturecategorygrowth,allocationofresourcesandsoon..

Market objectives/strategy

•Dealswithansweringthefollowingquestions–

Wheredowewanttogo?(thisisastatementofmarketingobjectives)

Howarewegoingtogetthere?(Marketingstrategyitself)

Supporting marketing programs

•This is the implementation part of the plan

•Deals about pricing, channels of distribution, customer service programs, advertising and so on..

Rest of the PLAN

•The financial document report the budgets & profit &loss/Income statement.

•The monitors and controls specifies the type of marketing research and other information necessary to measure progress towards achieving stated objectives.

•Contingency plans are helpful in dynamic markets where either new products or

New competitors create the need for change in strategy before the end of the plan's horizon

Market Research

Definition:

Market research is defined as the process of evaluating the feasibility of a new product or service, through research conducted directly with potential consumers. This method allows organizations or businesses to discover their target market, collect and document opinions and make informed decisions. Market research can be conducted directly by organizations or companies or can be outsourced to agencies which have expertise in this process.

The process of market research can be done through deploying surveys, interacting with a group of people also known as sample, conducting interviews and other similar processes.

Primary purpose of conducting market research is to understand or examine the market associated with a particular product or service, to decide how the audience will react to a product or service. The information obtained from conducting market research can be used to tailor marketing/ advertising activities or to determine what are the feature priorities/service requirement (if any) of consumers.

Types of Market Research: Market Research Methods andExamples

Whether an organization or business wishes to know purchase behaviour of consumers or the likelihood of consumers paying a certain cost for a product, market research helps in drawing meaningful conclusions.

Depending on the methods and tools required, following are the types:

1. Primary Market Research (A combination of both Qualitative and Quantitative Research): Primary market research is a process, where organizations

or businesses get in touch with the end consumers or employ a third party to carry out relevant studies to collect data. The data collected can be qualitative data (nonnumerical data) or quantitative data (numerical or statistical data).

While conducting primary market research, one can gather two types of information: Exploratory and Specific. Exploratory research is open ended, where a problem is explored by asking open ended questions in a detailed interview format usually with a small group of people also known as sample. Here the sample size is restricted to 6-10 members. Specific research, on the other hand, ismore pinpointed and is used to solve the problems that are identified by exploratory research.

As mentioned earlier primary market research is a combination of qualitative market research and quantitative market research. Qualitative market research study involves semi-structured or unstructured data collected through some of the commonly used qualitative research methods like:

Focus groups: Focus group is one of the commonly used qualitative research methods. Focus group is a small group of people (6-10) who typically respond to online surveys sent to them. The best part about focus group is the information can be collected remotely, can be done without personally interacting with the group members. However, this is a more expensive method as it is used to collect complex information.

One-to-one interview: As the name suggests this method involves personal interaction in the form of an interview, where the researcher asks a series of questions to collect information or data from the respondents. The questions are mostly open ended questions and asked in a way to facilitate responses. This method is heavily dependent on the ability and experience of the interviewer to ask questions that evoke responses.

Ethnographic research: This type of in-depth research is conducted in the natural settings of the respondents. This method requires the interviewer to adapt himself/herself to the natural environment of the respondents which could be a city or a remote village. Geographical constraints can be a hindering factor in conducting this kind of research. Ethnographic research can last from a few days to a few years.

Qualitative research methods are used by organizations to conducted structured market research by using online surveys, questionnaires and polls to gain statistical insights to make informed decisions.

This method was once conducted using pen and paper. This has now evolved to sending structured online surveys to the respondents to gain actionable insights. Researchers tend to use modern and technology-oriented survey platforms to structure and design their survey to evoke maximum response from respondents. Through a well-structured mechanism, data is easily collected and reported and necessary action can be taken with all the information that is made available first hand.

2. Secondary Market Research: Secondary research uses information that is organized by outside source like government agencies, media, chambers of commerce etc. This information is published in newspaper, magazines, books, company website, free government and nongovernment agencies and so on.

Secondary source makes use of the following:

Public sources: Public sources like library are an awesome way of gathering free information. Government libraries usually offer services free of cost and a researcher can document available information.

Commercial sources: Commercial source although reliable are expensive. Local newspapers, magazines, journal, television media are great commercial sources to collect information.

Educational Institutions: Although not a very popular source of collecting information, most universities and educational institutions are a rich source of information as many research projects are carried out there than any business sector.

Why is Market Research Important?

With economy being competitive with each passing day it is important for businesses to know and understand preferences of their consumers. Conducting research is one of the best ways of achieving customer satisfaction, reduce customer churn and elevate business. Here are the reasons why market research is important and should not be ignored:

 It provides information and opportunities about the value of existing and new products, thus, helping businesses plan and strategize accordingly.

 It helps in determining what the customers need and want. Marketing is customer-centric and knowing the customers and their needs will help businesses design product or services that best suit them.

 By understanding the needs of customers, businesses can also forecast their production and sales. One of the most difficult aspects for a production manager is to keep inventory stacked. What is the requirement and how much should be produced to fulfil the needs of the customer? Market research helps in determining optimum inventory stock.

 To stay ahead of competitors market research is a vital tool to carry out comparative studies. Businesses can device business strategies that can help them stay ahead of their competitors.

Steps for conducting Market Research

Knowing what to do in various situations that arise during the investigation will save the researcher's time and reduce problems. Today's successful enterprises use powerful market research survey software that helps them conduct comprehensive research under a unified platform and hence provide actionable insights much faster with fewer problems.

Following are the steps to conduct an effective market research.

Step #1: Define the Problem

Having a well-defined subject of research will help researchers when they ask questions. These questions should be directed to solve problems and they have to be adapted to the project. Make sure the questions are written clearly and that the respondents understand them. Researchers can conduct a test with a small group to know if the questions are going to know whether the asked questions are understandable and will they be enough to gain insightful results.

Research objectives should be written in a precise way and should include a brief description of the information that is needed and the way in which it will obtain it. They should have an answer to this question "why are we doing the research?

Step #2: Define the Sample

To carry out market research, researchers need a representative sample that can be collected using one of the many sampling techniques. A representative sample is a small number of people that reflect, as accurately as possible, a larger group.

 An organization cannot waste their resources in collecting information from the wrong population. It is important that the population represents characteristics that matter to the researchers and that they need to investigate, are in the chosen sample.

 Take into account that marketers will always be prone to fall into a bias in the sample because there will always be people who do not answer the survey because they are busy, or answer it incompletely, so researchers may not obtain the required data.

 Regarding the size of the sample, the larger it is, the more likely it is to be representative of the population. A larger representative sample gives the researcher greater certainty that the people included are the ones they need, and they can possibly reduce bias. Therefore, if they want to avoid inaccuracy in our surveys, they should have representative and balanced samples.

 Practically all the surveys that are considered in a serious way, are based on a scientific sampling, based on statistical and probability theories.

There are two ways to obtain a representative sample:

Probability sampling: In probability sampling, the choice of the sample will be made at random, which guarantees that each member of the population will have the same probability of selection and inclusion in the sample group. Researchers should ensure that they have updated information on the population from which they will draw the sample and survey the majority to establishrepresentativeness.

Non-probability sampling: In a non-probability sampling, different types of people are seeking to obtain a more balanced representative sample. Knowing the demographic characteristics of our group will undoubtedly help to limit the profile of the desired sample and define the variables that interest the researchers, such as gender, age, place of residence, etc. By knowing these criteria, before obtaining the information, researchers can have the control to

create a representative sample that is efficient for us.

When a sample is not representative, there can be a margin of error. If researchers want to have a representative sample of 100 employees, they should choose a similar number of men and women.

The sample size is very important, but it does not guarantee accuracy. More than size, representativeness is related to the sampling frame, that is, to the list from which people are selected, for example, part of a survey.

If researchers want to continue expanding their knowledge on how to determine the size of the sample consult our guide on sampling here.

Step #3: Carry out data collection

First, a data collection instrument should be developed. The fact that they do not answer a survey, or answer it incompletely will cause errors in research. The correct collection of data will prevent this.

Step #4: Analyse the results

Each of the points of the market research process is linked to one another. If all the above is executed well, but there is no accurate analysis of the results, then the decisions made consequently will not be appropriate. In-depth analysis conducted without leaving loose ends will be effective in gaining solutions. Data analysis will be captured in a report, which should also be written clearly so that effective decisions can be made on that basis.

Analyse and interpret the results is to look for a wider meaning to the obtained data. All the previous phases have been developed to arrive at this moment.

How can researchers measure the obtained results? The only quantitative data that will be obtained is age, sex, profession, and number of interviewees because the rest are emotions and experiences that have been transmitted to us by the interlocutors. For this, there is a tool called empathy map that forces us to put ourselves in the place of our clientele with the aim of being able to identify, really, the characteristics that will allow us to make a better adjustment between our products or services and their needs or interests.

When the research has been carefully planned, the hypotheses have been adequately defined and the indicated collection method has been used, the

interpretation is usually carried out easily and successfully. What follows after conducting market research?

Step #5: Make the Research Report

When presenting the results, researchers should focus on: what do they want to achieve using this research report and while answering this question they should not assume that the structure of the survey is the best way to do the analysis. One of the big mistakes that many researchers make is that they present the reports in the same order of their questions and do not see the potential of storytelling.

To make good reports, the best analysts give the following advice: follow the inverted pyramid style to present the results, answering at the beginning the essential questions of the business that caused the investigation. Start with the conclusions and give them fundamentals, instead of accumulating evidence. After this researchers can provide details to the readers who have the time and interest.

Step #6: Make Decisions

An organization or a researcher should never ask “why do market research”, they should just do it!A market research helps researchers to know a wide range of information, for example, consumer purchase intentions, or gives feedback about the growth of the target market. They can also discover valuable information that will help in estimating the prices of their product or service and find a point of balance that will benefit them and the consumers.Take decisions! Act and implement

Benefits of an Efficient Market Research

Make well-informed decisions: The growth of an organization is dependent on the way decisions are made by the management. Using market research techniques, the management can make business decisions on the basis of obtained results that back their knowledge and experience. Market research helps to know market trends, hence to carry it out frequently to get to know the customers thoroughly.

Gain accurate information: Market research provides real and accurate information that will prepare the organization for any mishaps that may happen in the future. By properly investigating the market, a business will undoubtedly be taking a step forward, and therefore it will be taking advantage of its existing

competitors.

Determine the market size: A researcher can evaluate the size of the market that must be covered in case of selling a product or service in order to make profits.

Choose an appropriate sales system: Select a precise sales system according to what the market is asking for, and according to this, the product/service can be positioned in the market.

Learn about customer preferences: It helps to know how the preferences (and tastes) of the clients change so that the company can satisfy preferences, purchasing habits, and income level. Researchers can determine the type of product that must be manufactured or sold based on the specific needs of consumers.

Gather details about customer perception about the brand: In addition to generating information, market research helps a researcher in understanding how the customers perceive the organization or brand.

Analyse customer communication methods: Market research serves as a guide for communication with current and potential clients.

Productive business investment: It is a great investment for any business, because thanks to it they get invaluable information, it shows researchers the way to follow to take the right path and achieve the sales that are required.

5 Market Research Tips for Businesses

Tip #1: Define the objective of your research.

Before setting off on your research quest, think about what you're trying to achieve next with your business. Are you looking to increase traffic to your location? Or increase sales? Or convert customers from one-time purchasers to regulars? Figuring out your objective will help you tailor the rest of your research and your future marketing materials. Having an objective for your research will flesh out what kind of data you need to collect.

Tip #2: Learn About Your Target Customers.

The most important thing to remember is that your business serves a specific kind of customer. Defining your specific customer has many advantages like allowing

you to understand what kind of language to use when crafting your marketingmaterials, and how to approach building relationships with your customer. When

you take time to define your target customer you can also find the best products

and services to sell to them.

You want to know as much as you can about your target customer. You can gather

this information through observation and by researching the kind of customers who

frequent your type of business. For starters, helpful things to know are their age

and income. What do they do for a living? What's their marital status and

education level?

Tip #3: Recognize that knowing who you serve helps you define who you donot.

Let's take a classic example from copywriting genius Dan Kennedy. He says that if

you're opening up a fine dining steakhouse focused on decadent food, you know

right off the bat that you're not looking to attract vegetarians or dieters. Armed

with this information, you can create better marketing messages that speak to your

target customers.

It's okay to decide who is not a part of your target customer base. In fact, for small

businesses knowing who you don't cater to can be essential in helping you grow.

Why? Simple, if you're small your advantage is that you can connect deeply with a

specific segment of the market. You want to focus your efforts on the right

customer who already is compelled to spend money on your offer. If you're

spreading yourself thin by trying to be all things to everyone, you will only dilute

your core message. Instead, keep your focus on your target customer. Define them,

go deep, and you'll be able to figure out how you can best serve them with your

products and services.

Tip #4: Learn from your competition.

This works for brick and mortar businesses as well as internet businesses because it

allows you to step into the shoes of your customer and open up to a new

perspective of your business. Take a look around the internet and around your

town. If you can, visit your competitor's shops. For example, if you own a

restaurant specializing in Italian cuisine, dine at the other Italian place in your

neighbourhood or in the next township.

As you experience the business from the customer perspective, look for what's being done right and wrong. Can you see areas that need attention or improvement? How are you running things in comparison? What's the quality of their product and customer service? Are the customers here pleased? Also, take a close look at their market segment. Who else is patronizing their business? Are they the same kinds of people who spend money with you? By asking these questions and doing in-person research, you can dig up a lot of information to help you define your unique selling position and create even better offers for your customers.

Tip #5: Get your target customers to open up and tell you everything.

A good customer survey is one of the most valuable market research tools because it gives you the opportunity to get inside your customer's head. However, remember that some feedback may be harsh, so take criticism as a learning tool to point you in the right direction.

Creating a survey is simple. Ask questions about what your customer thinks you're doing right, and what can be improved. You can also prompt them to tell you what kinds of products and services they'd like to see you add which gives you amazing insight into how to monetize your business more. Many customers will be delighted to offer feedback. You can even give customers who fill out surveys a gift like a special coupon for their next purchase.

Why Does Every Business Need Market Research?

Market research is one of the most effective ways to gain insight into your customer base, competitors, and the overall market. The goal of conducting market research is to equip your company with the information you need to make informed decisions. It is especially important when small businesses are trying to determine whether a new business idea is viable, looking to move into a new market, or are launching a new product or service. Read below for a more in-depth look at how market research can help small businesses.

COMPETITION According to a study conducted by Business Insider, 72% of small businesses focus on increasing revenue. Conducting research helps businesses gain insight into competitor behavior. By learning about your

competitor's strengths and weaknesses, you can learn how to position your product or offering. In order to be successful, small businesses need to have an understanding of what products and services competitors are offering, and their price point.

CUSTOMERS Many small businesses feel they have an understanding of their customer, only to conduct market research and learn they had the wrong assumptions. By conducting research, you can create a profile of your average customer and gain insight into their buying habits, how much they're willing to spend, and which features resonate with them. Additionally, and perhaps more importantly, you can learn what will make someone use your product or service over a competitor.

OPPORTUNITIES Potential opportunities, whether they are products or services, can be identified by conducting market research. By learning more about your customers, you can gather insights into complementary products and services. Consumer needs change over time, influenced by new technology and different conditions, and you may find new needs that are not being met, which can create new opportunities for your business.

FORECAST A small business is affected by the performance of the local and national economy, as are its' customers. If consumers are worried, then they will be more restrained when spending money, which affects the business. By conducting research with consumers, businesses can get an idea of whether they are optimistic or apprehensive about the direction of the economy, and make adjustments as necessary. For example, a small business owner may decide to postpone a new product launch if it appears the economic environment is turning negative.

Session 14 :

Sales Forecasting: Meaning, Importance and Methods

Meaning of Sales Forecasting:

Any forecast can be termed as an indicator of what is likely to happen in a specified future time frame in a particular field. Therefore, the sales forecast indicates as to how much of a particular product is likely to be

sold in a specified future period in a specified market at specified price. Accurate sales forecasting is essential for a business house to enable it to produce the required quantity at the right time. Further, it makes the arrangement in advance for raw materials, equipment's, labour etc. Some firms manufacture on the order basis, but in general, firm produces the material in advance to meet the future demand.

Forecasting means estimation of quantity, type and quality of future work e.g. sales. For any manufacturing concern it is very necessary to assess the market trends sufficiently in advance. This is a commitment on the part of sales department and future planning of the entire concern depends on this forecast.

The management of a firm is required to prepare its forecast of share of the market that it can hope to capture over the period of forecasting. In other words, sales forecast is an estimate of the sales potential of the firm in future. All plans are based on the sales forecasts.

The management of a firm is required to prepare its forecast of share of the market that it can hope to capture over the period of forecasting. In other words, sales forecast is an estimate of the sales potential of the firm in future. All plans are based on the sales forecasts.

This forecast helps the management in determining as to how much revenue can be expected to be realised, how much to manufacture, and what shall be the requirement of men, machine and money.

Thus we can define sales forecasting as, estimation of type, quantity and quality of future sales. Goal for the sales department is decided on the basis of this forecast and these forecasts also help in planning future development of the concern. The sales forecast forms a basis for production targets.

From above, looking to its importance, it is essential that sales forecast must be accurate, simple, easy to understand and economical.

Thus we can say that a sales forecast is an estimate of the amount of sales for a specified future period under a proposed marketing plan or

programme. Sales forecast can also been defined as, an estimate of sales in terms of money or physical units for a specified future period under a proposed marketing plan or programme and under an assumed set of economic and other forces outside the unit for which the forecast is made.

Importance of Sales Forecasting:

Sales forecasting is a very important function for a manufacturing concern, since it is useful in following ways:

(i) It helps to determine production volumes considering availability of facilities, like equipment, capital, manpower, space etc.

(ii) It forms a basis of sales budget, production budget natural budget etc

(iii) It helps in taking decision about the plant expansion and changes in production mix or should it divert its resource for manufacturing other products.

(iv) It helps in deciding policies.

(v) It facilitates in deciding the extent of advertising etc.

(vi) The sales forecast is a commitment on the part of the sales department and it must be achieved during the given period.

(vii) Sales forecast helps in preparing production and purchasing schedules.

(viii) Accurate sales forecasting is a very good aid for the purpose of decision making.

(ix) It helps in guiding marketing, production and other business activities for achieving these targets.

Factors Considered for Sales Forecasting:

Following factors should be considered while making the sales forecast:

1. Competition:

To assess demand, it is the main factor to know about the existing and new competitors and their future programme, quality of their product, sales of their product. Opinion of the customers about the products of other competitors with reference to the product manufactured by the firm must

also be considered.

2. Changes in Technology:

With the advancement of technology, new products are coming in the market and the taste and the likings of the consumer's changes with the advancement and change of technology.

3. Government Action:

When the government produces or purchases then depending upon the government policy and rules, the sales of the products are also affected.

4. Factors Related to the Concern Itself:

These factors are related to the change in the capacity of the plant, change in price due to the change in expenditure, change in product mix etc.

Accurate sales forecasting is essential for a business house to enable it to produce the required quantity at the right time. Further, it makes the arrangement in advance for raw materials, equipment's, labour etc. Many firms manufacture on the order basis, but in general, every firm produces the material in advance to meet the future demand.

Types of Sales Forecasting:

There are two types of forecasting:

1. Short-term forecasting and

2. Long-term forecasting.

1. Short-Term Forecasting:

This type of forecasting can be defined when it covers a period of three months, six months or one year. Generally, the last one is most preferred. The period is dependent upon the nature of business. If the demand fluctuates from one month to another, forecasting may be done only for a short period.

Purpose of Short-Term Forecasting:

1. To adopt suitable production policy so that the problem of overproduction and short supply of raw material, machines etc. can be avoided.

2. To reduce the cost of raw materials, machinery etc.

3. To have proper control of inventory.

4. To set the sales targets.

5. To have proper controls.

6. To arrange the financial requirements in advance to meet the demand.

2. Long-Term Forecasting:

The forecasting that covers a period of 5, 10 and even 20 years. The period here also depends upon the nature of business, but beyond 12 years, the future is assumed as uncertain. But in many industries like ship-building, petroleum refinery, paper making industries, a long term forecasting is needed as the total investment cost of equipment is quite high.

Purpose of Long-Term Forecasting:

1. To plan for the new unit of production or expansion of existing unit to meet the demand.

2. To plan the long-term financial requirements.

3. To train the personnel so that man-power requirement can be met in future.

Methods Used for Sales Forecasting:

Following are the methods generally employed for sales forecasting:

1. Survey of Buyers' Views:

This is direct method for making forecasting for short-term, in which the customers are asked what they are thinking to buy in near future say, in the coming year. In this method all the burden is with consumers, which may misjudge or mislead or may be uncertain about the quantity to be purchased by them in near future.

The disadvantages of this method are as follows:

1. Consumer's buying intentions are irregular.

2. When consumers have to select between different alternatives, they are unable to foresee their choices.

3. Buyers may be anxious for purchasing the products but due to certain limitations they may be unable to purchase them.

2. Collective Opinion or Sales Force Polling:

In this method forecasting depends upon the salesman's estimation for their respective areas, because the sales-man are closest to the customers, hence can estimate more properly about the consumers' reaction about the product and their future requirements.

All the estimates of salesmen are consolidated to know the total estimate of the sales. This final estimate then goes through severs checking to avoid undue imagination which is done many times by the salesmen.

The revised estimates are then again examined in the light of factors like expected change in design, change in prices, advertisements, competition, purchasing power of local people, employment, population etc.

This method of collective opinion takes advantages of collective wisdom of salesmen, senior executives like production manager, sales manager, marketing officials and managers.

Advantages:

1. This method is simple and requires no statistical technique.
2. The forecasts are based on the knowledge of salesmen, who are directly responsible for the sales.
3. In practice, this method is much useful in the case of new products.

Disadvantages:

1. This method is useful only for short-term forecasting, i.e. maximum for one year.
2. As the forecasting is dependent upon the salesmen's estimation and if sales quotas are fixed then they, in general under-estimate the forecast.
3. As Salesmen have no knowledge about the economic changes, the estimate by them are not so correct many times.
4. As the estimation is full time job, the quality to look into the future must be with the salesmen.

3. Trend Projections:

Well-established firms which have considerable data on sales, these data are arranged in a chronological order, known as 'time series'. Thus 'time

series' are analysed before making the forecasts.

There is a common method known as 'Project the trend'. In this method the trend line is projected by some statistical method, generally, by least square method.The time series forecasts are the demand characteristics over time. These time series data are analysed for forecasting future activity levels. Time series data refer to a set of values of some variables measured at the equally spaced time intervals such as mon

4. Economic Indicators:

In this method the forecasting is dependent upon certain economic indicators, which are generally published by Central Statistical Organization under the national income estimates.

Some of these indicators are:

1. Personal income for the demand of consumers' goods.
2. Agricultural income for the demand of agricultural inputs, implements etc.
3. Construction contracts sanctioned for demand of building materials.
4. Registration of automobiles for the demand of accessories, petrol's etc.

The forecasting is done with the help of least square equations. The examples illustrated below will give an idea, how the forecasting is done.

This method has some limitations, likewise.

1. Appropriate economic indicator is difficult to find out.
2. For newer products, no past data are available.

Elements of a Good Sales Forecasting:

Following four elements are suggested for adopting a sales forecasting method:

1. Accuracy:

The previous method must be checked for want of accuracy by observing that the predictions made in past are accurate or not.

2. Simplicity:

The method must be simple and easily understandable. It should satisfy top management people.

3. Economy:

For an undertaking, cost is a main factor so the method adopted should consider the minimum cost.

4. Availability:

The technique must be able to produce meaningful results quickly. The technique which takes much time to produce useful information is of no use.

Procedure of Making a Sales Forecast:

1. State whether the forecasting is short-term or long term, its objectives, only for a single undertaking or for whole industry.
2. Select a good method of forecasting.
3. Select different variables which are affecting the forecasting.
4. Gather data for different variables.
5. Determine best possible relationship by some statistical method between different variables.
6. Make forecast and interpret the result.

Following points must be made clear before making a forecast:

1. Forecast must be made in terms of rupees of sale volume or in units.
2. Forecast must be made on annual basis and then further divided as requirement, i.e. by month-wise, week-wise, or so on the basis of previous year's records.
3. Forecast for new product by month-wise, may be done either using other manufacturing concern's data or by survey.
4. Forecast must be made in terms of product groups and broken for individual products, the division may be according to the sizes, brands, cables, colours etc. A typical example show how the product group is divided.

Following points must be considered before making forecast of a new product:

1. Treat the demand for the new product as of an existing old product.

2. Treat the new product as a replacement for some existing product.

3. Estimate demands by making inquiries from purchaser.

4. Offer the new products for sale in a sample market.

5. Survey the customers reactions via dealers.

Selection of a Forecast:

There are several guidelines for selecting a forecast from available forecasts, one of them is as follows:

1. Prefer those forecasts which have reasoning's underlying forecast.

2. Prefer those forecasts which are prepared by qualified personnel, as the future is uncertain, he must tell his assumptions on which forecast is based.

3. Look into the previous year's forecasts, surveys should be examined as to why the forecasts are right or wrong.

4. Use only those forecasts which are reliable. Prefer only those of the forecasts which are prepared using different techniques.

5. Reject that particular forecast in which forecaster injected himself too strongly as an individual into his forecast.

Uses of Sales Forecast:

The sales forecast are helpful for various divisions of a concern.

Some of such uses are given hereunder:

1. Product Planning:

From forecasts we find out which product is more profitable and which should be manufactured and which should be dropped.

2. Planning Expansions:

Long range forecasts can predict future demand trends, which will enable the planning for expansion of the concern.

3. Financial Planning:

Sales forecast permits an evaluation of expenses and income etc.

4. Inventory Control:

It facilitates better planning and control over the inventories.

5. Production Control:

It will help in better production control, i.e. better use of equipment's,

controls over-time of labour, better deliveries, better control over work-inprogress inventories.

6. Sales Planning:

It helps in finding out which territory needs more attention. Various sales

programme can be reassessed looking to their achievements.

Applications of Sales Forecast:

Sales forecast can be used for following purposes:

1. It helps the management to decide marketing strategies
2. It helps in preparing the budget and for setting financial policies.
3. With reliable sales forecast it is possible to produce at an average rate so
4. that plant capacity and man power is fully utilized during the entire period.
5. Thus the forecasting enables to overcome seasonal variations.
6. It helps in material planning and avoids the evils of both the overstocking and under stocking.
7. From forecasts we can find out which product is more profitable and
8. which should be manufactured and which should be dropped.
9. Long range forecasts can predict future demand trends, which will
10. enable the planning for expansion of the concern.
11. It helps in finding out which territory needs more attention. Various
12. sales programmes can be reassessed looking to their achievements.