

# Financial Forecasting Techniques





**“Personal request here. Do not begin your forecast with the words ‘I’m just guessing, but ...’”**

# Forecasting Techniques

*There are many ways to do this...*

## Qualitative Approaches

- Executive Opinions
- Sales-Force Polling
- Consumer Surveys
- Delphi Methods

## Quantitative Approaches

- Simple Growth Rate Models
- Moving Average Models
- Linear Trend Analyses
- Non-Linear Trend Analysis

*Let's look at these more closely...*  
*You'll find they are all very intuitive ...*

# Qualitative Techniques

## *Executive Opinions...*

Gather experts from across the organization:

- Sales
- Marketing
- Engineering
- Finance
- Operations

Come to agreement on a forecast.



*Not the best approach, but commonly used in smaller companies where the executives are more in touch with the market.*



# Qualitative Techniques

## *The Delphi Method...*

Gather experts from across the industry:

- First get their individual opinions
- Then meet as a group
- The group discusses future trends
- Consensus is reached



*Better...the experts generally are not biased by corporate issues... But do they understand the business enough to forecast sales? And now you have to pay them!*

# Qualitative Techniques

## *Ask the Sales Team...*

Sales has constant contact with customers.

They know who will buy again and who won't.

You can also get data by region, product line, and customer.



*Better still...sales people are the customer-facing group in the company. They understand customers the most. Of course, bias may result if compensation is linked to forecast.*

# Qualitative Techniques

## Customer Surveys...

Go to the people that actually do the buying...

Surveys are common, and often sales folks will ask customers “What is your forecast for next year?”

Survey fatigue is possible, especially in consumer-related businesses.



*Better still, esp. when combined with other techniques. Long-standing customers understand why this is important. New customers may be reluctant to respond...*



# Time for a Break...





# Credits & References

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