

Sales Management

Sales Planning, forecasting, budget, quotas

Sales Planning, Forecasting, Budget, Quotas

- **Sales planning**

- Sales managers are guided by strategic planning at the company level and at marketing level.
- While preparing a sales plan,
 - which consists of sales objectives,
 - sales strategies and tactics (or action plans),
 - they should have a complete understanding of the process of sales planning.



Sales Objectives/Goals	Marketing Strategy	Sales force Strategy	Sales force Tactics (Action plans)
Increase in sales volume by 15 percent	<ul style="list-style-type: none"> • Enter export markets 	<ul style="list-style-type: none"> • Identify the countries and the distributors • Sign sales agreements with the distributors 	<ul style="list-style-type: none"> • Marketing or sales head to get relevant market information to decide selection of countries and the distributors • Negotiate and sign agreements in 3–5 months
	<ul style="list-style-type: none"> • Penetrate the existing domestic markets 	<ul style="list-style-type: none"> • Review and improve sales force training, motivation and sales incentives • Ensure all market segments are covered 	<ul style="list-style-type: none"> • Train each salesperson in his deficient or weak areas • Effective supervision by field sales managers • Link sales force incentives to segment-wise sales targets
Reduce selling expenses by 5 percent	<ul style="list-style-type: none"> • Utilize existing sales force resource optimally • Use effective and efficient channels 	<ul style="list-style-type: none"> • Use 'ABC Analysis' technique for customer visit plans and tele-marketing for prospective customers • Use Internet (online) selling and telemarketing, in addition to company sales force and intermediaries 	<ul style="list-style-type: none"> • Focus company sales force selling to A class, (high potential) customers to increase its business share • B and C class customers to be served by agents, dealers, telemarketing, and online selling

Sales Planning, Forecasting, Budget, Quotas

- **Sales planning**

- sets sales targets and defines the steps a company takes to reach those targets and
 - meet the goals set by the plan.
- A sales plan is the document that outlines the strategies employed to achieve success.
- Effective sales planning addresses a variety of markets and evaluates the product or service needs of the consumer

Sales Planning, Forecasting, Budget, Quotas

- **Sales planning**

- is the process of defining sales targets and
 - creating a strategy that meets goals and achieves sales and marketing results.
- The sales plan works in collaboration with the marketing plan and the business plan.
- The marketing plan details the strategies while the business plan sets the initial intentions for the company.
- Annual or quarterly sales plan updates ensures the plan stays on course and allows for changes

Sales Planning, Forecasting, Budget, Quotas

Sales Planning addresses factors encompassing a winning Sales Strategy

- Create a situational Analysis
- Identify Objectives and goals
- Set a strategy
- Set a Sales Budget
- Develop Communication and Engagement
- Set controls and Measurements

Sales Planning, Forecasting, Budget, Quotas

Why is sales planning important?

- Sales planning is an important aspect of business that **identifies current issues**.
- Sales planning takes advantage of **new opportunities**,
 - such as when a company develops a new product, to create brand awareness or interest.
- Sales plans address various sales opportunities and
 - the plan's objectives may vary depending on whether the company sells
 - directly to the consumer, or
 - to another business

Sales Planning, Forecasting, Budget, Quotas

Sales Planning

- For Effective Sales Planning, Organization should,
 - Understand the Customer
 - Define the Obstacles
 - Consult with key people and encourage feedback
 - Set realistic goals
 - Use your own experience
 - Trust Assumptions
 - Define the Value
 - Define Milestones
 - Focus on the niche
 - Identify strategic partners

Sales Planning, Forecasting, Budget, Quotas

Sales Planning

Template for a sales plan

Mission

[Define the company's mission and/or vision. Include a brief history that provides background information]

Team

[Determine teams and assign team members. Draw on member strengths and assigned roles to achieve targets.]

Target market

[Describe targeted market in detail. Include: demographic, likes, dislikes, needs and wants. Explain how the sales plan serves the market]

Sales Planning, Forecasting, Budget, Quotas

Sales Planning

Template for a sales plan

Tools, software and resources

[List all available resources: collaboration software, training, documentation, sales tools, sales contests, budgeting tools]

Positioning

[Identify competition in detail. Include: price variants, product comparison, market trends and influences]

Market strategy

[Discuss promotions, advertising and actions that generate leads, interest or awareness.]

Sales Planning, Forecasting, Budget, Quotas

Sales Planning

Template for a sales plan

Prospecting strategy

[Determine how to follow up on leads and assign sales methods that correspond to the lead.]

Action plan

[Define how to implement the sales plan. Include objectives for sales, referrals or leads.]

Goals

[Set goals for each objective in the action plan]

Budget

[Determine costs of the sales strategy. Include: salary, training, tools, contests, team activities, travel, food]

Sales Planning, Forecasting, Budget, Quotas

Sales Strategy

- The company marketing strategy provides an overall game plan,
 - but individual customer orders are won by having an effective sales strategy for each individual customer.



SALES FORECASTING

Sales Forecasting

Important concepts:

Market Potential

- A market potential is an estimate of the maximum possible **sales opportunities** present in a particular **market segment** and open to all sellers of a good or service during a stated future period.

Sales Forecasting

Important concepts:

Market Potential

- Thus, an estimate of the maximum number of low-priced smartphones that might be sold in New Delhi, India, during the calendar year 2023 by all sellers competing for this market would represent market potential in New Delhi for low-priced smartphones in 2023.
- A market potential indicates **how much of a particular product can be sold to a particular market segment over some future period**, assuming the application of appropriate marketing methods.

Sales Forecasting

Important concepts:

Sales Potential

- A sales potential is an estimate of the maximum possible **sales opportunities** present in a particular market segment open to a **specified company** selling a good or service during a stated future period.

Sales Forecasting

Important concepts:

Sales Forecasting

- A sales forecast is an estimate of sales, in Rupees (dollars/value) or physical units, in a future period under a particular marketing program and an assumed set of economic and other factors outside the unit for which the forecast is made.

Sales Planning, Forecasting, Budget, Quotas

DEVELOPING SALES FORECAST

- The purpose of a sales forecast is to plan the company's operations in an effective manner.
- The sales forecast is used by other functions, viz.
 - (i) by the manufacturing or production for setting up the **production capacity** and planning the production,
 - (ii) by the finance for **raising cash** for investment and operations as well as for profit planning,
 - (iii) by the purchase of materials for **planning the purchases**, and
 - (iv) by the human resource management for **manpower planning**

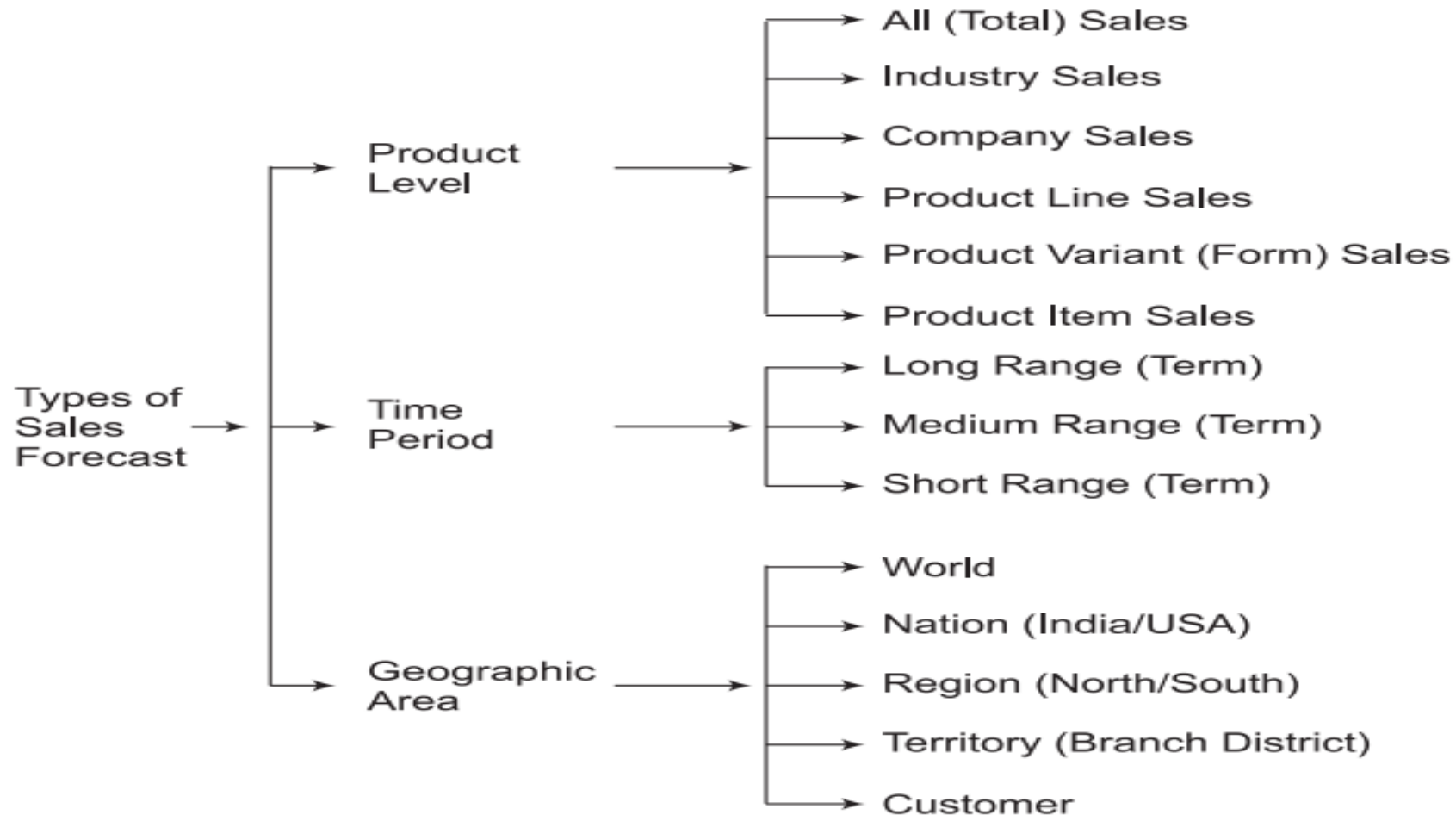
Sales Planning, Forecasting, Budget, Quotas

TYPES OF SALES FORECAST

- The term “forecast” is generally used for prediction or estimation for a future period.
- A sales forecast is the estimated units or rupees (or dollars) of sales
 - for a specific future time period
 - based on an assumed marketing environment and
 - a proposed marketing plan.
- Firms refer to a sales forecast by defining three factors:
 - (i) the product level,
 - (ii) the geographic area, and
 - (iii) the time period.

Sales Planning, Forecasting, Budget, Quotas

TYPES OF SALES FORECAST



Sales Planning, Forecasting, Budget, Quotas

FORECASTING APPROACHES

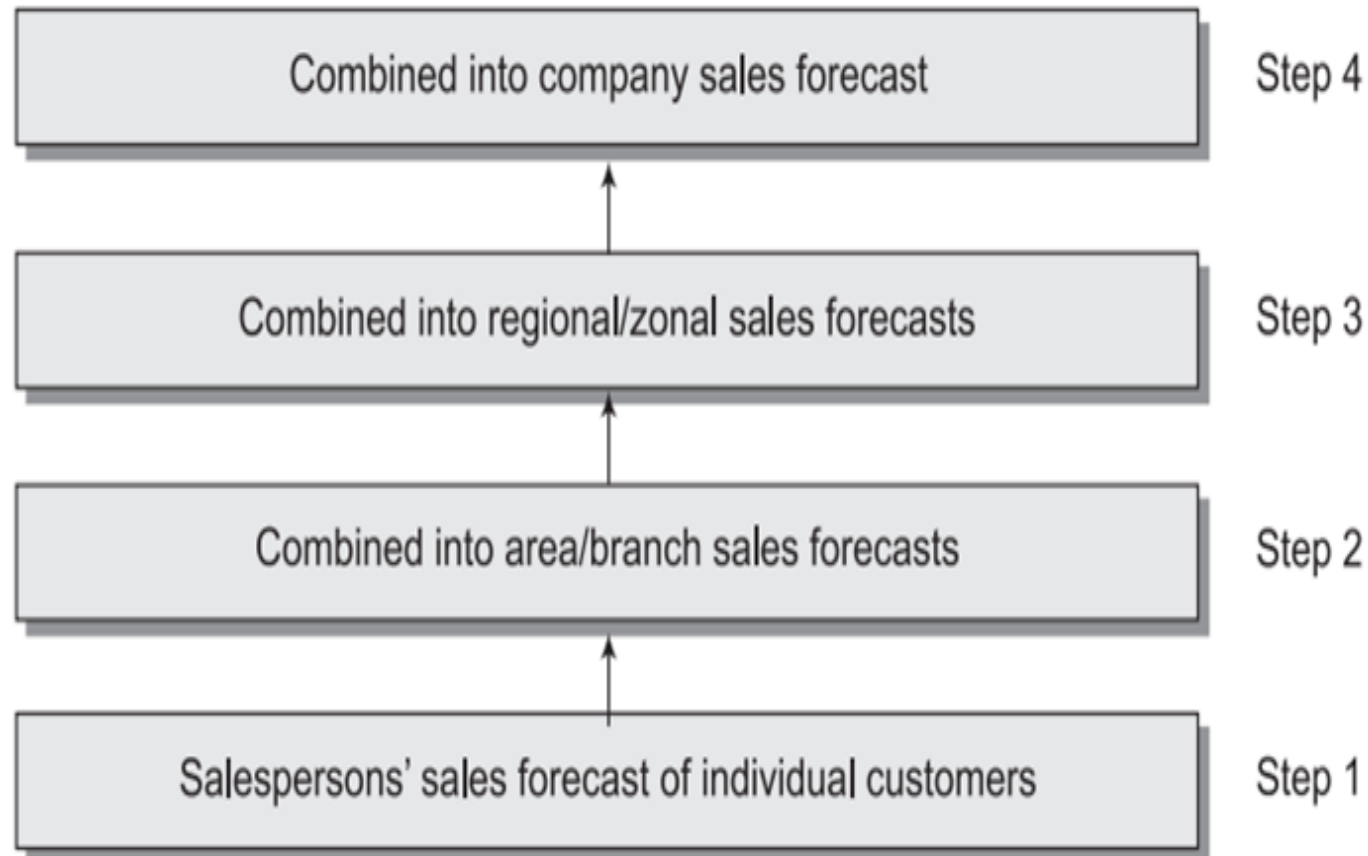
- The two basic approaches for forecasting,
 - **top-down (or break-down) approach,**



Sales Planning, Forecasting, Budget, Quotas

FORECASTING APPROACHES

- The two basic approaches for forecasting,
 - **Bottom-up or Build-up Approach**,



Sales Planning, Forecasting, Budget, Quotas

FORECASTING Methods:

- 1) Moving Average
- 2) Trend Analysis

Executive Opinion

Delphi Method

Sales Force Composite

Survey of Buyers' Intentions

Test Marketing

Sales Planning, Forecasting, Budget, Quotas

FORECASTING Methods

- **Moving Averages Method**

- In this method,
 - a company sales forecast is developed
 - by calculating the average company sales for previous years.
- A company's sales forecast was worked out
 - by calculating moving averages for three and six year time periods.
- The formula used is:
 - Sales forecast for next year = $\frac{\text{Actual sales for past 3 or 6 years}}{\text{Number of years (3 or 6 years)}}$
 -

Sales Planning, Forecasting, Budget, Quotas

FORECASTING Methods

- Moving Averages Method

Moving Averages Forecast			
Year	Actual Sales	3 year	6 year
2010	840		
2011	880		
2012	864		
2013	832	861	
2014	862	858	
2015	948	852	
2016	956	880	871
2017 (forecast)		922	890

(Figures of Sales are in ₹ million)

Sales Planning, Forecasting, Budget, Quotas

FORECASTING Methods

- **Moving Averages Method**
- The advantages of this method are:
 - Relatively simple method.
 - Easy to calculate.
 - Widely used for short-term and medium-term sales forecasts.
- The disadvantages of this method are as follows:
 - Unable to predict a downturn or upturn in the market.
 - Cannot predict long-term sales forecast accurately.
 - Data is needed for products with stable sales histories.

Sales Planning, Forecasting, Budget, Quotas

FORECASTING Methods

- **Sales Trend Analysis**
- Sales Trend Analysis looks at historical revenue data to identify patterns,
 - used extensively in budgeting and forecasting.
- It is a useful method to detect short-term changes in revenue growth and performance.



Sales Planning, Forecasting, Budget, Quotas

FORECASTING Methods

- **Sales Trend Analysis**
- The main benefit of analyzing Sales Trends
 - is the improvement in the decision-making processes in the long run.
- When performing Sales Trend Analysis, need to make sure that the data is complete and up to date.
- It is critical to use the proper visualizations and know the data well enough
 - to perform adequate drill-downs and gather meaningful insight.

Sales Planning, Forecasting, Budget, Quotas

FORECASTING Methods

- Sales Trend Analysis

Sales Data Breakdown per Invoice
Magnimetrics

in EUR

Amount	Client ID	Delivery Method	Quantity	Order #	Invoice #	Date	Invoice Year	Invoice Month
124,782	C000-01253	Truck	342	So0000-A9445371	G0005577	6/18/2014	2014	6
9,009	C000-01253	Truck	1	So0000-A9445371	G0005578	6/18/2014	2014	6
-	C000-01253	TNT	20	So0010-A3375046	G0005711	7/31/2014	2014	7
133,039	C000-01253	Truck	332	So0010-A8481054	G0005930	12/1/2014	2014	12
8,820	C000-01253	Truck	1	So0010-A8481054	G0005931	12/1/2014	2014	12
163,485	C000-01253	Truck	350	So0010-A8481054	G0007226	11/6/2015	2015	11
7,980	C000-01253	Truck	1	So0030-A8248408	G0007227	11/6/2015	2015	11
6,867	C000-01253	Truck	31	So0030-A8248408	G0007270	11/24/2015	2015	11
1,302	C000-01253	Truck	1	So0030-A8248408	G0007271	11/24/2015	2015	11
45,087	C000-01253	Truck	51	So0040-A5826116	G0007783	3/18/2016	2016	3
(45,087)	C000-01253	Truck	(51)	So0040-A7391711	G0007783	3/18/2016	2016	3
52,353	C000-01253	Truck	51	So0040-A7404269	G0007783	3/18/2016	2016	3
3,465	C000-01253	Truck	1	So0040-A5826116	G0007784	3/18/2016	2016	3
97	C000-01253	TNT	1	So0060-A7479918	G0009287	11/28/2016	2016	11
105	C000-01253	TNT	1	So0060-A7479918	G0009288	11/28/2016	2016	11
97,549	C000-01253	Truck	217	So0060-A9052157	G0009556	2/14/2017	2017	2
3,780	C000-01253	Truck	1	So0060-A9449274	G0009557	2/14/2017	2017	2
140,665	C000-01253	Truck	332	So0090-A3752656	G0011580	12/11/2017	2017	12
8,736	C000-01253	Truck	1	So0090-A3752656	G0011581	12/11/2017	2017	12
-	C000-01253	UPS	8	So0100-A2244307	G0012256	4/10/2018	2018	4
105	C000-01253	UPS	1	So0100-A2244307	G0012257	4/10/2018	2018	4
210,168	C000-05890	Client pick-up	483	So0000-A3729502	G0005093	2/26/2014	2014	2
234,856	C000-05890	Client pick-up	395	So0000-A3729502	G0005102	2/27/2014	2014	2
199,802	C000-05890	Client pick-up	497	So0000-A3729502	G0005107	2/28/2014	2014	2
448,888	C000-05890	Client pick-up	528	So0000-A3729502	G0005108	2/28/2014	2014	2

Sales Planning, Forecasting, Budget, Quotas

Sales Budget

- A sales budget consists of detailed estimates of expected volume of sales and selling expenditure.
- The sales volume part of the sales budget is based on the sales forecast.
- The sales volume budget is generally set slightly lower than the sales forecast to avoid excessive risk.
- The accuracy of the sales budget is very important in the success or failure of the firm's total budget.
- Sales budget is used mainly for planning the company's production, purchasing and cash flow

Sales Planning, Forecasting, Budget, Quotas

Sales Budget

- The selling expenditure budget consists of
 - the selling-expense budget and
 - the sales department administrative budget.
- The selling-expense budget includes expenditures for
 - personal selling activities,
 - such as the salaries, commissions (or incentives) and
 - other expenses for the salespeople.
- Any plans for **increase in number of salespeople** or technical service people during the budget period must also be included in this budget

Sales Planning, Forecasting, Budget, Quotas

Sales Budget

➤ Purposes of the Sales Budget

- planning,
- coordination, and
- control.

➤ Methods Used for Allocation of Money

- Percentage of sales,
- Executive judgment
- Objective and task.

Sales Planning, Forecasting, Budget, Quotas

Sales Quotas

- Sales quotas are sales goals (or performance standards) set by a company for its marketing units for a certain period of time.
- The marketing unit includes
 - a sales region, a sales territory, a branch office, a salesperson, a distributor or a dealer.
- Sales quotas (also called quotas) can be set on
 - sales volume (rupees or dollar sales, and unit volume),
 - selling expense,
 - profit margin,
 - selling and non-selling activities,
 - customer satisfaction or some combination.

Sales Planning, Forecasting, Budget, Quotas

Sales Quotas

➤ **IMPORTANCE/PURPOSES OF SALES QUOTAS**

- providing performance standards,
- controlling performance,
- motivating people, and
- identifying strengths and weaknesses.

Sales Planning, Forecasting, Budget, Quotas

Sales Quotas

➤ METHODS FOR SETTING SALES VOLUME QUOTAS

- Sales volume quotas or other types of quotas are set by companies by using several methods.
- The quotas are set based on:
 - (i) territorial sales potential,
 - (ii) past sales experience,
 - (iii) total market estimates,
 - (iv) executive judgment,
 - (v) salespeople's estimates and
 - (vi) compensation plan.