

Business Plan Workbook #21	
Course	Selling Your Dream
Topics Addressed	Making a Sales Projection

## Key Points

### What Are Sales Projections?

Sales projections are your best estimate about how much of your product or service you think you will sell. When you make a sales projection, you estimate your sales during a particular time period. You could make estimates for a day, a week, a month, a quarter, a year, or more.

### Importance of Sales Projections

Sales projections help you plan for future sales. Based on your projections, you can estimate your direct costs for items like raw materials and labor you're going to need, during a particular period. So, you can use your projections to guide purchasing and hiring decisions.

Sales projections can also help you measure and evaluate your current performance. You can compare your actual sales to what your projected sales, to see whether or not your business performed as expected.

Comparing your actual sales to your projected sales can also help you evaluate the effectiveness of your business decisions.

### Making a Sales Projection

To make a sales projection for a single product or service, you use the following formula:

$$\frac{\text{Price} \times \text{Quantity}}{\text{Projected Sales}}$$

If you currently own a business, you can use past data on your sales to help with your estimates.

If you're starting a new business, or if you're introducing a new product or service, you will have to make your best guess. You can refine your estimates, once you've had a chance to gather some data.

If your business sells many different types of products or services, you can group your products or services together into categories, and make a projection for each category.

**Understanding Sales Performance**

When you're making a sales projection, you want to be mindful of the physical size of your business; you want your sales projections to be realistic when compared to the size of your business.

**Sales Projections Drive Expense Projections**

As mentioned above, you can use your projections to guide purchasing and hiring decisions. For a refresher on direct and indirect expenses refer back to Course 6 as a guide.

**Related Business Plan Questions**

Below, you will see a list of business plan questions related to the topics noted above. If you print this worksheet, you can use the space below each question to write down some initial thoughts and ideas.

When you're ready to start working on your business plan, return to the course, and select "Open My Business Plan".

Q: Write down the sales you project that your business will make each month starting with next month and ending with the current month next year (12 months of projections). This can be your best guess for now.

NOTE: You can use the Sales Projection Template located under the Appendix Icon to help you answer this question.

Q: What are your projections for expenses, costs, etc. for each of the months that you provided a sales projection? Do your best to give an estimate. You can update this later!

Q: Will your business experience increases or decreases in sales due to seasonal issues? If your sales are affected by things like holidays, seasonal availability of raw materials or supplies, growing seasons, etc. explain those issues and the impact they have on your business. Describe how much your sales are impacted if you can.