

# Forecasts and results

## Getting started

Discuss these questions in small groups.

- How can each of these help companies to make sales forecasts?
  - computer projections
  - predictions about interest rates
  - reports from sales teams
  - intuition
  - the political situation
  - the success of competitors' products
  - past experience
  - the marketing budget
- Which factors, in addition to the sales forecast, will help the finance team produce a profit forecast?



Gloomy sales forecast mirrors the weather

## Forecasting sales

### Listening



You will hear five different people talk about how they contribute to their companies' sales forecasts and why the forecasts turned out to be inaccurate.

- 22 1** Listen and look at the elements listed in *Getting started* above. Which of them does each person contribute to the sales forecast? Complete the first column of the table.

	Contribution	Reason for inaccuracy
Olivia		
Jaime		
Gary		
Sylvie		
Nesreen		

- 22 2** Look at the events in the 'Reason for inaccuracy' box. Listen again. Which reason does each person mention as to why the forecast was inaccurate? Complete the second column of the table.

### Reason for inaccuracy

- There was a shift in fashion.
- We were affected by a press report.
- There was an unexpected disaster.
- There was a lapse in quality control.
- Our advertising was poor.
- Our publicity was more effective than we expected.
- There was a change in government policy.
- We experienced a shortage of qualified staff.



## Vocabulary 1

Match these phrasal verbs and expressions (1–7) from the listening exercise with their definitions (a–g). If necessary, look at the transcript for track 22.

- |                     |                                       |
|---------------------|---------------------------------------|
| 1 catch on          | a approach (a task/problem)           |
| 2 up-and-coming     | b be successful/profitable            |
| 3 fall short of     | c become fashionable/popular          |
| 4 talk someone into | d fail to reach a target              |
| 5 pay off           | e persuade someone                    |
| 6 go about          | f refuse/reject                       |
| 7 turn down         | g successful, likely to be successful |

## Talking point

Work in groups of three. Your company has sent you to a seminar on predicting business trends. The speaker at the seminar has asked you to work in small groups and discuss how businesses can improve their sales forecasts. Work together and decide:

- what things can make sales forecasts inaccurate
- what problems can arise from inaccurate sales forecasts

- what general advice you can give for companies to improve their predictions

You can include ideas you heard during the listening exercise if you wish.

## Reading

1 **Work in small groups. Discuss whether you agree or disagree with the following statements (and give reasons why).**

- 1 'Business people find it difficult to make pessimistic forecasts.'
- 2 'Making business forecasts should be a group activity, not the responsibility of a particular individual in the organisation.'
- 3 'Computers are better than people at forecasting sales.'
- 4 'The main problem with making forecasts is predicting what your competitors will do.'

2 **Scan the article below to locate opinions about the four points you have just discussed. What is said about each of them?**

# FORECASTING DISASTER

Have you imagined some of the ways your company might go bust? Not likely. Most companies create forecasts that reflect rising sales, docile competitors, happy customers. "It's emotionally difficult for people to do negative scenarios," says Chris Ertel at Global Business Network (GBN). 1 ..... When they don't achieve them, it damages morale as well as the stock price.

Creating rainy-day scenarios and knowing when to implement them is a rare but essential competency in unpredictable times. In the past six months, companies that never expected an earthquake have been wrecked by economic tremors. 2 ..... While even the best economists can't spot turning points in the country's economic direction, forecasting experts do have advice that can help produce clearer views in cloudy times and backup plans for dealing with unexpected twists.

3 ..... However, John Vanston, chairman of Technology Futures, says that it is useful to bring together people from various departments who think about the

future in different ways. His company has identified five different approaches to thinking about the future. Extrapolators see the future as a logical extension of the past. Pattern Analysts look for similar situations from the past and try to apply those to the future. Goal Analysts identify powerful entities with the ability to influence the future. 4 ..... Counter Punchers seek a high degree of flexibility and responsiveness, and Intuitors gather as much information as they can and then depend on their subconscious mind for useful insights. "You want all five types of people involved in your forecasting because that produces much higher-quality results," Vanston says.

Most companies use forecasting software to visualize possible changes in demand, and most say the software is most accurate when trying to chart sales of existing products in stable markets. "We compare the machine forecasts to the human forecasts every month," says Jeremy Wise, a senior forecast analyst at Callaway Golf. "5 ..... If they're not, Wise

wants to know why. But when in doubt, he says the human forecast, derived from a broad cross-section of employees in sales, production, and finance, wins.

Scenario-planning is different from traditional forecasting. 6 ..... The goal is a number of stories and scenarios, along with a sense of their relative likelihood, that can help a company be more flexible and resilient when it encounters challenging situations.

"The challenge of getting people to do negative scenarios," says Ertel of GBN, "is to find opportunity when you're at a disadvantage. 7 ..... Ertel prods them instead to look for ways they can take advantage of competitors' inactivity or retrenchments. The goal isn't to predict what's ahead precisely but to imagine both positive and negative outcomes, understand what might prompt them and consider how you might handle each one. "You're never going to make uncertainty go away," says Teplitz. "But you can certainly improve your warning systems and your ability to deal with it."

From *Darwin Magazine*



**3 Choose the best sentence (A–H) for each gap in the text on page 65. There is one sentence you will not need.**

- A This has led to sweeping changes in the way businesses operate.
- B It's designed to get groups to imagine dramatic discontinuities and tell stories about how they would react.
- C Most companies have relatively narrow forecasting teams, if they have them at all.
- D The numbers have got to be in sync with each other.
- E They then try to understand their objectives.
- F They've announced earnings shortfalls, layoffs, and reorganisations.
- G When you get managers together, they look for the axe first.
- H The result is that companies continue to operate on optimistic projections that they can't possibly meet.

### Task tip

When you have finished the task, read the whole text again with the sentences you put in the gaps. Does it read logically? If not, think again!

## Vocabulary 2

Find words or phrases in the text which mean the following.

- |                               |                                     |
|-------------------------------|-------------------------------------|
| 1 go bankrupt                 | 6 typical sample                    |
| 2 share price                 | 7 sudden changes in business trends |
| 3 lower-than-expected profits | 8 able to recover quickly           |
| 4 redundancies                | 9 encourages                        |
| 5 correspond with each other  | 10 economies, reductions            |

## Speaking

You have been asked to give a short presentation to students visiting your company from a local business school.

**1 Work in pairs. Prepare a short presentation on one of these topics:**

- Finance: How to prepare a sales forecast
- Finance: The importance of accurate sales forecasts for managing a company

**2 Change partners and take turns to give your presentation to another student.**

### Useful language

*It's particularly useful / absolutely essential / vital + infinitive*  
*It's of prime importance to + infinitive*  
*Accurate sales forecasts are essential/vital/crucial/critical/key because ...*

### Task tip

- Structure your talk by introducing your points with *firstly*, *secondly*, *finally*.
- Conclude your talk by saying *In conclusion*, ...
- Instead of repeating *important* several times, vary your vocabulary by using alternatives from the Useful language box.

## Grammar workshop

### Conditional sentences

**1 Read paragraph 3 of the article *Forecasting disaster* again. Work in small groups and match each of these types of forecaster (1–5) with the statements made by each one (a–e).**

- |                    |  |
|--------------------|--|
| 1 Extrapolators    | a 'According to my sources, Paltech, the American producer, are thinking of breaking into the European market, and I think they're chasing our business. Unfortunately, I don't have information about what their strategy will be, but <u>if they were to start a joint venture with Swanson's, it could seriously affect our market share.</u> '   |
| 2 Pattern analysts | b 'I think that there are a series of circumstances which could reduce our sales: new products from our rivals, a change in interest rates, the political situation overseas and a change of government at home. We have to have strategies in place to react to all these possibilities. I mean, as things turned out, <u>if we'd planned for a rise in property prices last year, we could have almost doubled our turnover.</u> ' |



- 3 Goal analysts c 'If you look at sales for the last three years, you'll see they have risen by an average of 10%. If that trend continues, next year we'll be looking at sales in excess of three million euros.'
- 4 Counter punchers d 'There are a whole range of factors to take into consideration and it's almost impossible to reach an accurate figure just by analysing them. I would guess, though, that the key factor will be the emerging markets in South America, which will have an extremely positive effect on our sales in the next five years. I mean, if in the last five years we'd been cautious about emerging markets in Asia, we'd have missed a major opportunity.'
- 5 Intuitors e 'When we introduced the RD10 in 1995, it had sales of 50,000 units by the end of its first year. The RD20, which we launched in 2001, had sales of 55,000 after one year. I know circumstances are rather different now, but if we followed a similar strategy for the RD30, by my estimate we'd be selling in the region of 50-55,000 units by the end of next year.'

2 Study the underlined conditional sentences in the statements above.

- Which refer to past time and which refer to present/future time?
- Which combination of tenses are used in conditional sentences which talk about the past?
- Which combination of tenses are used in conditional sentences which talk about the present or future?

➤ page 80 (Conditional sentences)

Talking point

Discuss these questions in small groups.

- Which type of forecaster do you think you are / would be? Why?
- Which type of forecaster would you pay most attention to if it was your responsibility to make the final sales forecast?

## Reporting results

### Vocabulary

- 1 Complete the accounts of Presto Bearings, a company which supplies machine parts, using the words/phrases in the box.

debtors dividends equipment  
equity liabilities less pre-tax profits  
profit and loss for the period turnover

- 2 Find words in the accounts on the right which mean the following.

- Buildings and land used by a company
- Loss of value of an asset such as machinery over a number of years
- Money borrowed from a bank
- Part of a company's profit which is not distributed to shareholders as dividends
- Things belonging to a company which have a value
- Supply of components or raw materials kept by a company to be used in manufacturing their products
- The value a company has in addition to the value of its assets, e.g. from its reputation

#### Profit and 1 loss account

	€m
2 ..... (sales)	840
Cost of sales	(360)
Depreciation	(110)
Operating cost	(100)
Operating profit	270
Interest payable	(35)
3 .....	235
Tax	58
Profit after tax / net profit	177
4 .....	(100)
5 .....	77
Retained earnings	89
Shareholders' 6 .....	166

#### Balance sheet

	€m
Cash in bank	140
Stock	22
7 .....	55
<b>Total current assets</b>	<b>217</b>
Premises	2,450
8 .....	480
<b>Total fixed assets</b>	<b>2,930</b>
Goodwill	320
<b>Total assets</b>	<b>3,467</b>
Creditors	(27)
Overdraft	(420)
<b>Total current liabilities</b>	<b>(447)</b>
9 .....	
<b>Total assets less liabilities</b>	<b>3,020</b>

### Talking point

Discuss the following questions in small groups.

- What should companies take into account when deciding what dividend to pay shareholders?
- What can companies do to reduce their tax liability?
- Why is goodwill such an important asset?