

Chapter 2

Estimating, Planning, and Forecasting

ABSTRACT

Sales happens only where there is a potential market for the product. There are various ways of estimating the market size. One organization in India has made an estimate of the relative potential of the geographical units in the country. In addition, they have estimated the degree of media exposure of these units as well as the concentration of purchasing power of the population of those areas. The sales and marketing team can draw up their strategies based on these three indices. Similar estimates are available in many countries of the world. The sales team has to also understand the economic structures of the market and then go through the budgeting process. This budgeting process or the sales and marketing plans are very crucial to the organization as this is the blueprint for the progress of the organization. In order to ensure the smooth functioning of the organization, sales forecasting has to be done. This process ensures proper coordination of multiple functions within the organization – and ensures smooth flow of products from manufacturing to the market. The sales team has to make this forecast on the basis of their territories and the quota of sales allocated to them. Territories are formulated to ensure better administration of the field sales force and the quota system helps the sales team to work towards a goal.

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LEARNING OBJECTIVES

- Understanding the Concept of Market Potential Value
- Understanding the Concepts of MII & MEI and their Benefits
- Economic Structures and Types of Market Operations
- Sales & Market Potential and the Budgeting Process
- Methods and Processes of Sales Forecasting
- Benefits and Processes of Formation of Territories
- The Process of Allocation of Sales Quotas for Sales Persons

INTRODUCTION

Market Potential Value

Demographics

It may be superfluous to say that sales happens where there is a market. Marketers market their products on the basis of market potential that exists at different places. In every country, there are pockets of prosperity where high priced items sell more. Similarly, there are highly populated areas where per capita income and consumption are less – and, hence, low priced items sell more there. Disposable income as well as consumption patterns are both important. High income levels does not automatically lead to higher consumption and this is because of unique consumer behavior across different market segments. So, in many countries, customer segments are formulated on the basis of demographic and psychographic profile of customers. Products are targeted to this segments depending on the likelihood of consumption of these products by that particular customer segment. This alone is sufficient to make sales in a homogeneous market. However, certain markets like India are very heterogeneous. That means the inequalities are very high and the differences in income levels as well as consumption are markedly wide. So, here, there is presence of pockets of prosperity and hence products has to be targeted and sales force organized keeping in mind the distribution of wealth and may be, its location, geographically.

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