

purchasing:
determination of procurement requirements
scheduling of purchases to get favorable prices

MARKETING:

formulation of marketing strategies for products
setting of sales quotas
scheduling of advertising expenditures and sales promotions

personnel:

planning of manpower requirements

finance:

establishing of operating budgets
cash flow planning
capital budget / expenditure decisions

ACCURATE SALES FORECASTING OFFERS SEVERAL ADVANTAGES:

reduced excess inventory
fewer stock shortages which result when demand exceeds supply
fewer unnecessary production line changes to fulfil unanticipated demand
less overtime hours through improved predictions in personnel requirements
improved customer service levels as supply and demand balance more economic
purchasing power.

FACTORS THAT INFLUENCE FORECAST ACCURACY:

availability of product demand history
capability of computer system
other available history (i.e., new products, design changes, changes in customer base, promotional actions, economic indicators)
responsibility for forecasting: a team effort is required (Sales, Distribution and Manufacturing)



CHECKLIST:

Sales forecasting considerations:

- What are the items to be forecast?
- How far into the future, should the forecast extend?
- What is the length of the period for stating the forecast quantity?
- How frequently should the forecast be made, reviewed and revised?
- What would constitute an acceptable tolerance of forecast error?

SUGGESTIONS:

Before forecasting sales, condition the data by removing the effects of unusual events (out liars) that are not likely to happen again. Otherwise, the forecasting model will show a distorted view of the past.

EXAMPLES OF PROBLEMS THAT MAY REQUIRE DATA ADJUSTMENTS:

- unusual weather
- addition or loss of major customers
- special promotions
- changes in price or package size.

Determine the most accurate forecasting method:
regularly use a number of different methods to generate forecasts
maintain historical accuracy information on each method
use the most accurate method to generate “official” forecasts.

Make an ABC-analysis of the items to forecast:

A-items are reviewed each month by management
only those B- and C-items with a significant deviation between forecast and actual demand need to be reviewed by management.

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