

# Sales forecast case study examples

[Business](#), [Company](#)



**Executive Summary:**

- Harrison Company is experiencing some weaknesses in key departments such as finance department, marketing logistics and operations departments that have resulted to a series of bad results in the past and there is need to work on these weaknesses.
- The company is experiencing a leadership crisis with very few leaders able to steer this business forward. Most of them lack the necessary skills to succeed and so new faces should be brought in to carry out this process.
- The company faces several social, environmental and ethical problems that need to be solved as soon as possible.
- Looking at the past trends locally and globally we find out there has been a great decline in the sales due to the harsh economic conditions experienced but the future looks great.
- With proper structures in place to increase the capacity of sales in Harrison Company the company can be able to achieve this sales forecast.
- Basing our assumptions on the past trends in sales, we can project that our sales will grow at a slow rate in the coming years.
- Our fifth year sales are projected to be around \$25 million from our forecast.
- Our net income after tax will also have to increase from the current 0. 2% to more than 3% above the industry average.
- We should aim at reducing our debts and stop over depending on debt financing to finance our operations.

Harrison Company has already employed a number of strategies to be able

to get out of this financial turmoil. The company is projecting to carry out more promotions for the goods offered in our stores, proper marketing should also be done to increase brand visibility, new and experienced workforce to be put in place to be able to guide this company forward and achieve these goals and objectives.

We are going to use a defensive strategy to that involves retrenching and laying off underperforming workers and hiring better well-trained and highly skilled workers. We shall build more stores in areas where the population is higher and add more distribution centers to the map.

### **Assumptions**

We will have to make some specific assumptions regarding the current and past recession. Recession has been hitting our economy hard for the past few years and so before we can come up with strategies on how to move forward certain assumptions should be made.

- We have to assume that the current recession within the economy is mainly to blame for the financial misfortunes that are facing our company and so we should come up with ways in which we can handle this recession in future before it can completely drive our company out of business.

- We will assume that the past recession led to the current state of affairs in Harrison Company and the low sales and high debt ratio is due to it.

- We also have to assume that the current recession has hit all players within this industry and they are all suffering the effects as us so we should be able to come up with ways in which we can get out of the mess faster before our competitors do.

- We assume that the current recession has not only hit our industry but the

customers too are feeling the heat and thus the reduction of expenditure among many customers and this is part of the reason to blame for our dwindling sales.

- Another assumption on the current recession is that our suppliers are also feeling it and thus they are as affected as we are but we should try to maintain them so that we all can get out of this.

- We will assume that the current recession is almost ending as it has been predicted by many economists both within the country and throughout the world.

- We will assume that most of the companies within this industry will not fully recover from the effects of the recession in time and so we should strive to be among the few who will rise back up in as soonest time possible.

We will make some tough decisions that include laying off some of our workers to maintain only manageable personnel that will be able to handle the work given efficiently. The company will have to come up with a strategy that will involve thorough advertising, engaging in promotion of the goods supplied in our stores, increasing more stores in areas that have higher population and building better stores that meet the modern standards

## **Rubric Question # 2 – Ethical and Socially Responsible Decisions:**

The several issues affecting this company need to be properly identified and worked on with speed so as to get rid of any future misfortunes. The main ethical dilemma the company is facing is the problem of not paying suppliers in time with regards to their contracts. This has greatly affected small-scale suppliers and driven some out of business. It also has the potential to drive

away potential suppliers who can help this company a great deal and so it should be corrected with immediate effect. The former manager going to court also can dent the reputation of this company and scare away possible investors who can help us move forward.

### **Rubric Question #3 – Synthesizing/Analyzing:**

- The sales Forecast of Harrison Company for the next five years

Looking at the trend in the past three years we find out those sales has not been steady due to a number of factors. Since we are coming with a new strategy in to the business it is projected that there will not be much change in the first year as the company will be undergoing a transition period. Once we have transformed all the departments we can now start projecting an increase in sales and profits respectively. To effectively achieve this sales forecast we ensure we offer high quality products at the best prices in the market. We should try to make goods easily accessible to consumers by building more stores in areas of high population. The company can come up with some offers to these consumers to entice them into purchasing our products thus increasing sales. This can be done through these ways:

Price: the pricing of commodities should be done with a view off attracting more customers to our stores. Competitive pricing should be done since many consumers nowadays are price sensitive. With proper price we will be attracting more customers since the economy is not very favorable and more and more consumers are turning to low-cost goods at the expense of expensive ones. The pricing will be a major factor that will determine the number of customers in our stores and will go a long way into fighting our competitors.

Products: we should strive to make available goods that are in high demand and offer them in high quality to increase their demand. Our products should be able to meet our customer's choices and preferences to make us better than our competitors. We must ensure the products are of high quality and try as much as possible to sell them according to the preferences of customers. This will go a long way into boosting the consumer confidence on our company and maintaining customer loyalty.

Place: more emphasis should be made on the functioning of stores and more of them should be built to be able to supply the increased population. More distribution centers should also be erected to enhance accessibility to the stores. By strategically placing our stores in areas where they are easily accessible by many clients we will be attracting more customers to our stores since they will be easily accessible.

Promotion: several actions need to be done to promote our stores and this includes engaging in advertisements, offering bonuses to our customers, giving out free samples to loyal customers and engaging in community work. Engaging in promotion activities will help in attracting more customers and also retain our customers thus improving our sales.

These actions will have some financial implications as they will demand for a creation of budget to effectively carry them out. This will increase the expenses of our business and might not be easy to fulfill. These plans lead to logistical implications due to the fact that more distribution centers and stores will have to be built to complete this action. The list of suppliers will also have to be reviewed to bring in new suppliers and do away with those whose goods will not be needed anymore.

## - Finance

For the company to be able to properly assess its current financial position some aspects should be looked into to help in determining the correct position financially. By determining the correct financial position of the company we will now be able to determine how we will be able to acquire funds and how we will invest them so as to be able to achieve our goal of making at least \$25 million a year.

**Liquidity:** this is the measure of the ability of a company to pay its debts as they become due. It is measure by  $\text{current ratio} = \frac{\text{total assets}}{\text{total current liabilities}}$

We can deduce from the table that the financial condition is not in a good state with evidence that it has been on the decline for the past three years.

**Safety:** this shows the company's exposure to risk, for example the level of protection offered for the debt of the business. Safety can be evaluated as  $\text{debt to equity} = \frac{\text{total liabilities}}{\text{stakeholders equity}}$

**Profitability:** this ratio is used to measure the ability to generate a return on resources. It is measured by  $\text{Gross profit margin} = \frac{\text{gross profit}}{\text{revenue}}$

**Efficiency:** this helps in evaluation of how a company manages its assets. It is calculated by  $\text{Inventory turnover} = \frac{\text{cost of goods sold}}{\text{inventory}}$

The company will have to use a low cost strategy and focus on higher volumes of sales in order to succeed. This strategy will be useful in acquiring more goods at lower prices and these lower prices will be transferred to consumers thus making them cheaper compared to our rivals. With proper marketing mix and good strategies on the ground inventory turnover and efficiency of the company can be increased respectively to desired levels. At

the end of the day our company will be on the right track to achieving our main goals and objectives and fulfilling our financial goals that have been set on a five year period.

### c. Logistics and Operations

There are several changes that need to be made to the logistics and operations of Harrison Company so as to increase production and make it easier to operate. The logistics and operations of our company require a major change to enable our company to be able to effectively compete with the best companies in the industry. These actions need to be taken so as to make improvements and achieve our main targets

- The differences in costs should be considered while deciding on whether to let suppliers deliver goods to the distribution centers of the company or to let them deliver the supplies to a single center and then distribute them through trucks to other stores.
- It should also be calculated whether to close down the stores situated in areas with less population or let them be and build new ones in highly populated areas.
- A new information system should be created to help manage the inventory
- The stores should be renovated to better and modern stores that will be able to accommodate the stock effectively.
- The opening and closing of stores should be made to be between 9. 00am and 7. 00pm

## **The supply chain**

Harrison Company has a very complex supply chain and this chain needs to be looked into and proper decisions made on how to simplify it and make it



cheaper for the company to operate. Distribution expenses are at 8% of cost of goods sold though the last ten months has witnessed an increase to 9%. This is too high for any company to handle and certain actions need to be taken to reduce these costs. From the report we get that 15% of stores account for only 20% of profits. This is also another area that needs improvement and actions should be taken to increase the profits from these stores. These actions need to be taken:

- The delivery of merchandise should be maintained at once a week to the stores to ensure trucks only move on the road while full to reduce unnecessary expenses.
- Instead of receiving inventory only in distribution centers we should let suppliers to supply these goods to our stores to minimize the costs involved in moving them from distribution centers to stores.
- Individual suppliers should be allowed to supply their goods whenever necessary and should not be limited to a period of two to six weeks.
- The company should agree to accept partial contract deliveries from suppliers since this could be easier to maintain and is much cheaper.
- Emergency quick deliveries should be avoided as much as possible by making sure all stores are fully stocked at one given time.
- We should encourage inter-store transfers as this will go a long way in helping supply stores that might have run out of supply before they are fully supplied from distribution centers.
- Since more stores will have to be increased, more distribution centers will also have to be erected in areas where they will be accessible to these stores.

## **Rubric question 4- identifying industry and global trends**

What specific industry and global trends might have the greatest potential to affect your company and its business strategy?

Global trends

E-commerce

Social technologies are listed among the group they interlink many groups internally it has been established as an area where business activities can actually be done. The IT service helps to connect with customers, employees, stakeholders and business partners through emails. Marketing organizations are collecting information from news, website blogs and tweets to improve their products and enhance pricing strategy. From the information they are able to check the trends of doing business both locally and globally. These trends are helpful in providing directions in which to take while making major decisions involving operations of the company.

## **Cloud IT services and artificial intelligence**

The latest technology offers capabilities of actually automating machines to carry out tasks at super speeds these machines are able to understand the human being in the business sector they automatically generate financial and marketing materials by scanning data and documents. With the application of these automating machines the operations of a business can be easily made efficient and easy to handle with this type of technology. This will increase the efficiency of managing the company and increase profitability since the company will be using machines that will not require much attention unlike human resource that requires so much.

## **Innovative and transparent business models**

Up to date information, quick solving of problems and immediate price determining are some of the major expectations of citizens and customers in the digital world. Managers are required to ensure their companies are competent and transparent to ensure the companies become more credible and innovative. By using up to date methods to gain information, solve problems and determine the prices the company will be putting itself in a position where it will be able to effectively handle the customers' expectations and ensure both competency and transparency in all business dealings.

## **Talent**

The growing business and economic influence of IT means competition will be stiff and highly skilled individuals will be able to outdo others, therefore it will be the priority of the government and businesses to offer more education and training to match the level of skills required in the market sector. With proper information technology in place the company will be able to effectively compete against its rivals like Dollar General and Wal-Mart that are major players in this industry.

## **Privacy and security**

Many people are involved in carrying out business transactions over the web such as making payments, storing data , this gives terrorists and criminals an opportunity to take advantage and penetrate firewalls to access top secret information for their own benefit also known as cyber-crime which results to many companies losing a lot of money . Therefore companies need

to train themselves on how to acquire modern complex security encryption codes and security practices on the internet. Financial services are at most instances compromised known as the second wave where hackers hack for financial gain. With proper modern and tight security to the company's operations no one will be able to gain access thus the need to invest heavily on this sector.

## **Strategies**

Security affects most decisions in a business since it's a strategic issue.

Broad minded individuals can actually combine the capabilities of a head of sales and head of security in company to increase sales . Since well identified security controls enables the firm to attend to client issues even before the issue surfaces. After learning the importance of security many organizations are now electing security leaders in every business unit they report to business heads and evaluate strategies on how security will boost and facilitate implementation of business goals.

## **Rubric question # 5: Leadership and group dynamics**

- When dealing with the group of directors shows them that you portray the characteristics in the Great Man theory by simply having social skills, intelligence, confidence and charisma proving that you are simply born to lead. As a leader one should be keen to adopt the management theory that emphasizes on the importance of group performance, organization and supervision where the leaders are given authority to reward and punish in a situation where the employee is successful he/she is rewarded and reprimanded in situations where failure occurs and the blame directed to

them. When having a meeting with the board of directors ensures they accept the transformational theories for the purpose of boosting the potential of each worker resulting in improved performance due to inspiration and motivation given by the leaders for this theory to work the leaders must maintain moral and ethical standards. As the head of the Harrison company an important strategy would be to utilize effectively the participative theory that is very considerate and respects others opinion and contributions thus making employees to feel considered in decision making operations but the manager is only one with the authority to allow implementation of the idea.

Deciding on the type of power to use is also a major step in strategy development; the reward power is a very essential power where the supervisor gives workers promotions, raises and bonuses for solving duties in appropriate manner. Where personal power is mentioned expert powers emerge where managers have knowledge , skills and experience that he/she passes to the workers to achieve the set goals and targets . The most common types of powers are divided into two sections , formal powers and personal powers. All these powers should be used effectively in areas where applicable to ensure a better functioning of the company if power is delegated to others it boosts their confidence and increases their ability to work effectively and deliver great results under little supervision.

Coercive power- involves the fear of being demoted; getting a weak performance assessment the power is achieved by threatening other workers. This type of power should not be exercised since it will demoralize the workers and lead to poor work done. Coercive power should be

discouraged at all costs so as to allow employees to perform their duties freely without the fear of facing the sack.

Reward power- involves rewarding workers for following orders that helps to boost the morale of workers and encourages healthy competition among them. At the end of the day the workers will be motivated to work and their confidence on the company will have improved and thus ensuring better service delivery.

Legitimate power- established when an individual has authority over other employees. This type of power should not be encouraged as some individuals tends to abuse their powers however only trustworthy leaders should be delegated this power to be able to guide others on how to work effectively.

## **Personal powers**

Expert power - its source is from an individual's talent, ability and experience. By employing people with expert power the company will be able to move forward as these experts will use their unique gifts to the advantage of the company and encourage more employees to perform well in their duties.

Referent power - got when people respect and trust duties that are well done by particular individuals and who care about the welfare of others. With many people possessing this coherent power within the company, we will be able to utilize their influence in to getting employees to perform their roles effectively.

- Infighting and unnecessary arguments in the organization is a major problem to the entire organization and necessary measures should be taken

to get rid of it. It can be solved by using generally accepted conflict resolution strategies they include, superordinate goals that focus mainly on goals rather than personal needs, and geographical separation that involves transferring workers to other sub sections of the business unit or reshuffling seating arrangements. The will have to assign a mediator to solve conflicts between the fighting parties. This will help in peacefully solving these conflicts that are threatening to disrupt the functioning of Harrison Company. Counseling is another major strategy to resolve interpersonal battles it helps identify the root of the issue and search for ways to solve the problem through the counseling model to help employee accept the existence of an issue is distracting proper work performance and must therefore be solved, employee admits responsibility and develop an execution plan. Negotiating is another strategy that should be used especially in distribution of corporate resources where one side may decide to give up, there are two methods of negotiating the distributive bargaining and integrative bargaining both differ since distributive has little concern for the result and the main aim is to benefit yourself while the integrative bargaining is approach that aims for a double win result after collaboration. The methods may take long to utilize but it all depends on the strategy you use. With proper methods used to solve these issues the company will be setting itself on a road to success. It will bring harmony within the workforce and builds trust among workers and between the junior workers and their superiors. This will bring cohesion between them and ensure stability and growth in the company due to the strong working unit. The use of better negotiation skills will help bring

back trust and harmony amongst the workers and improve their production within the company

## **Rubric Question #1: Implications of Integrated Business Processes:**

As the new head of Harrison Company you will first examine both the defensive strategy and offensive strategy then implement the most appropriate. In a defensive strategy a well-developed company just uses the strategy to strengthen customer confidence in its goods and attract even new customers . It's a tool of management used to fight off a potential competitor and involves gripping tightly onto what you have and has two strategies one of them involves blocking competitors who want to take over market share by reducing price, increasing advertising and adding incentives the approach as many benefits since you have the possibility of acquiring both new and old customers and since they do not involve many risks as compared to offensive strategies the only major problem is that its effective when long term strategies are involved.

The offensive strategy aims to attack the market by identifying the faults of the competitors and highlighting the company's powers in comparison . The strategy attacks the leader of the industry at the spot where the company is most vulnerable. This strategy will be important as it will help in highlighting the weaknesses of our opponents and thus helping us make decisions on how to maximize such weaknesses to our advantage. We will also be able to identify our own weaknesses and strengths weaknesses and how to maximize our strengths to our advantage. Companies utilizing the offensive strategy can only introduce a single product to evidently identify it as a



challenger. Due to the huge risk involved defensive strategies would be the most appropriate to use though they take a longer time before the benefits could be enjoyed. The generic strategy which also involves acquiring competitive advantage because of the low cost of marketing, production, and wastages. This will boost an expansion strategy. The generic mode can start paying back after a very short period of time since I works on a product life cycle by permitting cash flow even when a few products are rejected while others are still maturing and growing.

The low cost strategy should also be continued since it will be more suitable while striving to increase the market share held by Harrison Company. The uncertain economy has greatly affected consumers spending power with many consumers spending less and less due to the harsh effects of the recession. To be able to get a piece of this spending from consumers the company will need to adopt a low-cost strategy since this will make the goods sold to be of lower prices thus attracting more customers to our stores. With more customers in our stores we will strive to retain these customers by offering the quality goods and services and offering promotions to them to create consumer loyalty. The other way to minimize costs will be to retrench underperforming and unskilled workers and only retain those who show the potential to work harder and achieve the required targets. Stores that are not performing well especially in areas of lower population will have to be closed down so as to enable the company to build new ones in highly populated areas. With these actions employed well the company will be able to successfully increase its market share and gain more customers.

## **Conclusion**

- The company should try to consider solving the ethical and social problems affecting it as soon as possible to avoid the possible damage of company's image and reputation that could come from these issues.
- The company should be able to carefully study and analyze the local and global trends in the retail industry so as to be able to gain an upper hand when it comes to facing the market and how to maximize its potential.
- Proper and effective actions should be adopted by the company especially in management and leadership that explains policies of the business, rules that should be followed, and culture of the company.
- The company should come up with ways to be able to properly train and improve the skills of its employees. By doing this the company will be increasing its potential to offer better services in the market.
- With proper strategies the company can easily turn around the misfortunes that have hit it for the past few years and we could brace for a better future with better earnings.