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Academic Entrepreneurship

Sales forecast

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The purpose of the classes is

BH P7S UW05, BH P7S U UW08:
set a point of profitability (U2).



Contents

1. Analysis of product and market development trends,
2. Reference of fixed and variable costs for own business ventures: according to homework,
3. Preparation of sales forecast,
4. Unit price,
5. Determination of the point of profitability of the project,
6. Homework.



Analysis of product and market development trends

The analysis of product and market development is aimed at determining the prospects for the development of the product-market within 3-5 years. The behaviours of different actors influence the development of a company's marketing strategy and should therefore be constantly monitored and changes anticipated in order to better adapt the strategy to them.



Analysis of product and market development trends

Trend of market development - economic and statistical concept characterizing the regularity of changes in its basic parameters over time.

Based on quantitative estimates and models of market dynamics, qualitative characteristics of the change in the market situation are given:

- **growing** / developing market,
- **stable** market,
- **shrinking** market, etc.



Analysis of product and market development trends

The success of a new product is defined as reaching or exceeding a point of profitability and is greater when:

- the company's ability to identify the needs of buyers is enhanced,
- the ratio of utility to cost is higher,
- the product will be introduced earlier than the competition,
- higher is the estimated profit when selling the product,
- company resources and know-how are rationally used,
- the company has the appropriate skills to conduct marketing and Technical Research of the product,
- effective cooperation between departments and employees,
- appropriate measures will be taken to communicate product information,
- the attitude of the employees and the management board is consistent.



Reference of fixed and variable costs for own business ventures: according to homework

- Each student/group refers to the selected area of activity and defines its own market product,
- Referencing: 5 - 15 min.,
- Any referencing order, e.g. according to requests (who wants to be the first), or according to the attendance list,
- No student/group can be left out,
- **Each student writes questions to the speaker in a notebook,**
- Questions are asked according to the teacher's request. The best questions are awarded by points (+).



Preparation of sales forecast

Forecasting the sales of a given product consists in determining its future sales volume in the given market conditions.

The basis of this forecast can be to determine the market potential, that is, more generally, the maximum volume of demand for which the market is ready.

There are different methods of predicting sales, i.e. subjective (based on opinions, assessments) and objective (quantitative).



Preparation of sales forecast

Important aspects of measuring a company's potential in the market are:

- monitoring it on the market,
- the way it is perceived by consumers,
- calculation of the future condition of the company.



Preparation of sales forecast

Forecasting sales is the most difficult part of the entire strategic planning process.

The results obtained never give a guarantee of certainty and correctness. The reason is that it is not possible to predict all events that may affect the formation of the sales forecast.



Preparation of sales forecast

Forecasting sales on the market is made taking into account:

- subject of forecast (demand for a specific product expresses the volume of purchase by a specific group of buyers, in a specific geographical area, at a given time, in a specific marketing environment and under the influence of a defined marketing program),
- forecasting method.



Preparation of sales forecast

The process of forecasting sales can be divided into five main stages:

- problem formulation,
- collection and preparation of information and data,
- selection of methods and their implementation,
- evaluation of the methods used,
- presentation and use of results.



Unit price

The unit price is the price of a single good or service, " the quantity or number of which is expressed in units of measure" (Ustawa o informowaniu... 2014, s. 1).

Example:

In the MCM shop, a customer who wants to buy chocolate wafers has a choice between:

- a package containing 400 g of the product, whose price is 4.99 PLN (unit price is 12.48 PLN / kg), and
- a package containing 550 g of the product priced at 6.49 PLN (unit price is 11.80 PLN / kg).



Unit price

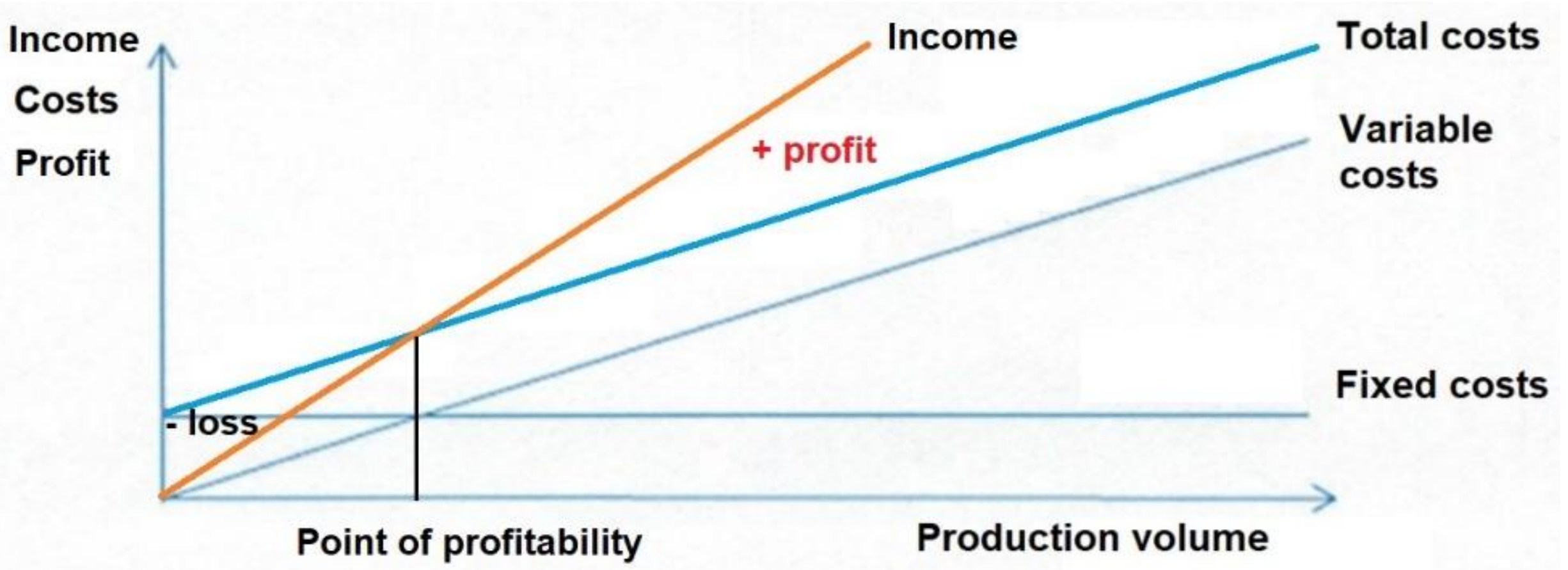
Pricing principles are methods which, using data such as own costs, buyer demand or competitive prices, help to determine at what price an undertaking should bring a given good or service to market.

When determining the final price, it uses data like:

- **consumer demand,**
- **the cost of producing a product or service,**
- **competition prices,**
- management costs,
- selling expenses,
- financial situation of the company,
- production structure,
- **the terms and size of the market.**



Determination of the point of profitability of the project





Determination of the point of profitability of the project

To determine the volume of production necessary to cover fixed costs, it is necessary to calculate the so-called quantitative point of profitability, written like this:

$$\mathbf{BEP = K_s / (C_j - K_{jz})}$$

where:

BEP - (Break Even Point) - quantitative point of profitability,

K_s - fixed costs, zł/year (or month),

C_j - unit price, zł/product,

K_{jz} - unit cost variables, zł/product.

Production volume greater than the calculated point of profitability ensures profit.



Determination of the point of profitability of the project (example)

One of the plants producing kitchen furniture, incurs a monthly fixed costs at the level of 28 500 zł.

A standard set of this type of furniture has a price 1 000 zł.

The cost of making the standard set is 700 zł.

The plant in order to make a profit, from these data, should sell (BEP) over ??? kitchen furniture sets per month:

$$\mathbf{BEP = ???}$$



Determination of the point of profitability of the project (example)

One of the plants producing kitchen furniture, incurs a monthly fixed costs (**K_s**) at the level of 28 500 zł.

A standard set of this type of furniture has a price (**C_j**) 1 000 zł.

The cost of making the standard set (**K_{jz}**) is 700 zł.

The plant in order to make a profit, from these data, should sell (BEP) over **95** kitchen furniture sets per month.

$$\mathbf{BEP = K_s / (C_j - K_{jz}) = 28500 / (1000 - 700) = 95}$$



Summary

We learned the basic concepts (**BH P7S UW05, BH P7S UUW08**), in particular:

- Analysis of product and market development trends,
- Preparation of sales forecast,
- Unit price,
- Determination of the point of profitability of the project.



Thank you very much
for your attention

Welcome to cooperation
in classes and research.