

Sales forecasting essential for SMEs to meet consumer demands

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Sales holds immense significance for any business unit. Sales forecasting refers to an activity that encourages a unit to learn from its past sales experiences, gauge present market trends and develop a suitable sales plan to meet future demands. It not just helps an SME to devise an effective marketing strategy, sales forecasting is also instrumental in giving the unit a competitive edge in the industry. "Sales forecasting is an ideal tool for SMEs to test market or consumer requirements because when the unit tallies its past sales performance with the current market trends, the end result directs towards actual consumer needs. This is an indispensable activity for any SME as it helps reduce operating costs, thereby increasing the company's budget for future utilisation," says Sanjay Nagi, business consultant at Market Insight Consultants, a business consultancy in Noida. Mostly an inexpensive activity, sales forecasting can be of three types—short-term forecasts meant for continuous sales planning, production monitoring and resource procurement, intermediate forecasts meant for planning budgets, cost and capacity requirements every 2 years and long-term forecasts, which are mostly practiced by units before they launch any new product or expand their business. In this context, Akhtar Siddiqui, owner of ABCL carpets, a small-sized unit in Bhadohi, Uttar Pradesh, which manufactures and exports carpets, says, "Sales forecasting is a very useful activity because it helps us understand how well our business is performing in the market. It helps in accurate prediction of demand, which ensures less wastage of resources." Although sales forecasting remains a commonly practiced activity, it cannot however, guarantee exact profits because predictions are usually liable to changes considering consumer behaviour and market movements. SME owners, therefore, should always include a back-up plan while forecasting sales so that the business does not suffer at any point.

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