Lecture Notes

Class - B. Com Hons Sem VI
Sub Code – BCH- 6.3.A
Sub – New Venture Planning
Topic – Market Planning – Sales Analysis

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Learning outcome from this lecture note
- Meaning of Sales
- Meaning of Sales Analysis
- Importance of Sales Analysis
- Types of Sales Analysis
- Advantages of Sales Analysis
- Disadvantages of Sales Analysis

Meaning of Sales
A sale is an activity that generates profit or revenue for every business which consequently covers all the costs and expenses. Sale is very important for every organization. However, there are many ways to achieve the sale, easy and difficult both, they vary from business to business.

Meaning of sales Analysis
For every company, Sales is the ultimate revenue generator which takes care of all costs and expenses. Sales analysis involves analysing the sales made by a company over a period of time. Many companies have a weekly sales analysis, a monthly sales analysis or a quarterly sales analysis. A regular sales analysis helps the company understand where they are performing better and where they need to improve.

Sales analysis is done from the bottom level to the top level of the company. Even the CEO of the company does a sales analysis to understand segments where the company is gaining in sales and segments where it is dropping in sales. Such sales analysis can also help product development.

Importance of Sales Analysis

1. **Opportunities to expand business reach**

   By analysing the sales data helps us to see the opportunities. It also helps us to make better decisions like which product to keep (continue) and which to discontinue or rearrange market activities, change in the manufacturing process, inventory management and which scheme or offer to be launched or not.

2. **Customer Analysis**

   It would be absolutely right if we say that sales analysis equals to customer analysis because it tells us the buying and shopping of our targeted customer and how he reacts to our product or service.

3. **Product Mix Analysis**

   Whenever a company plans to launch a new product; it is actually based on the sales analysis which tells us market trends and customer's buying pattern. Sale analysis also tells the timing of the product to be launched, seasonally or off seasonal, holidays or festivals, because customer's buying pattern changes depending upon the timing and situation.

4. **Decision Making**

   All the top management decisions are based on the sales analysis, for instance, if a product isn't selling then the company will decide to discontinue the product.

   Back in 2005-2006, Nokia button pad phones were at their peak but the management of Nokia ignored sales analysis reports and growth of upcoming touchpad phones at the time. 10 years later, Samsung captured the whole market of touchpad phones which were once belonged to Nokia's button pad phones. Nokia's management refused to make a decision based on the sales analysis report.

5. **Missed opportunities**

Analysing the available data can show the company where it has missed the opportunity or not. Market research will play an important role in this presenting data to compare while the field force will prove of valuable assistance in informing the practicalities of the situation.

6. **Future decisions**

Sales data will help a company to take a future decision in terms of inventory management, marketing activities, schemes or offers to be rolled and changes in manufacturing processes if applicable. Based on Sales data, major decisions like continuing or discontinuing a product is taken.

7. **Market Trends**

Sales analysis will also show the current market trends to the company. While the company may be preparing to launch a new product, Sales Analysis would show a drastic increase in Sales of the earlier product after an activity, showing that it was the lack of awareness which was a hindrance in realizing Sales and not the product.

8. **Customer analysis**

Effectively, Sales Analysis is nothing but Customer Analysis. Answering why did a particular customer buy the product in a particular month may give crucial customer insights which will help with the planning of the company.

9. **Detailed analysis**

A detailed Sales Analysis is broken down product wise, customer wise, year and month wise and geography wise is a source of huge information for the company.

Types of Sales Analysis

Although many companies may use various types tailored to fit their organization, here are the few common types of Sales Analysis performed:

❖ Periodic Analysis:

This can be a month on month or year on year or year till date compared to previous year till date as the need may be. This gives insight into the impact of time on sales.

❖ Product wise Analysis:

Sales of products during different times in different areas can be used. This is majorly used in large-scale equipment.

❖ Channel of distribution wise :

This will give the trend of where the sales are maximum and answering why will give more insights and help the company decide whether or not to continue with the current channel of distribution.

❖ Forecast vs Achievement analysis :

This gives the details of sales which were used to forecast the numbers – and inventory was arranged accordingly – and what is the actual achievement of Sales – and whether the inventory needs to refilled or schemes need to be rolled out for the liquidation of stocks.

❖ Combination of above :

For more detailed analysis, the company may perform a combined analysis of above for example multinationals like Proctor and Gamble may analyse the Sales of Tide detergent in Asia Pacific region for the year 2018 and compare it with Sales of the year 2017. This involves Product as well as periodic sales.

Advantages of Sales Analysis

1. Opportunities

   Sales analysis of own products as well as competitor products is important as analysing sales of competitors allows insights into the market from a different perspective and may help the company to reach the missed out customers and grab the missed opportunity.

2. Decision driver

   Sales analysis, as explained above acts a decision driver for the company to make major changes in their products. If the Sales of a product are not up to

the mark, the company may discontinue the product with immediate effect. For example, as the Sales of Touchscreen phones increased all the traditional button models changed their phones to touch screens. With the advent of Facebook and Twitter, earlier sites like Orkut had to be shut down because of lack of revenue and shift of audience from one platform to other.

3. Customer Service

   Knowing the reason behind why a particular sales occurred during particular time will help the companies to keep the inventory ready and help them to serve the customers better. Delighting the customers will, in turn, benefit the company by increased sales further and help to develop goodwill and establish the brand value of the company.

4. Marketing support :

   Sales of a certain product may require one-time marketing support or multiple times or seasonal support. Those decisions are based on Sales analysis. For example, products like cough syrup would require marketing and ad campaigns just before and during winter while airline services require constant marketing support.

Disadvantages of Sales Analysis

1. Reliability :

   A lot of times, Sales Analysis might have done in a haphazard way or the reasons for the increase in sales of a particular product may go up purely on the effort of the Salespersons or offers rolled out. This may have nothing to do with customer or trends and relying on those conclusions can be problematic for the company.

2. Political factors :

   If trend may say that the Sales is supposed to increase, owing to unavailability of purchasing power of customers, the company may face a dip in sales. The following year to this incident when the economy may again stabilize, comparing previous years' data will show a skew results again since the customers are purchasing normally as per their requirement but there would be a tremendous growth in the analysis.

3. Technical knowledge :
   High technical knowledge is required for Sales Analysis and not everyone may be suited to do that. Good arithmetic skills along with high market knowledge are basic requirements and those may not be fulfilled by every Salesperson.

4. Cost :
   A detailed Sales Analysis along with its interpretation is outsourced by many companies. A Sales analysis performed by an internal employee instead of outsourcing would increase the cost of the firm in terms of salary, training the person for technical knowledge and there are chances of human error in Manual Sales Analysis.

As an end point, we can say that sales analysis examines sales reports to see what goods and services have and have not sold well. The analysis is used to determine how to stock inventory, how to measure the effectiveness of a sales force, how to set manufacturing capacity and to see how the company is performing against its goals.