

## Principles of Sales Forecasting

- F1. Sales forecasting is being done in virtually every company that produces and sells products, either formally or by default. The challenge is to do it well, better than the competition.**
- F2. Better forecasts enable companies to give higher customer service (order fill), to lower the inventories, to run the plants better, to work more cooperatively with suppliers, and — last, but certainly not least — to sell more product.**
- F3. Sales & Marketing people “own” the sales forecast; they are accountable for its development, authorization, and execution.**
- F4. The forecast can and must make sense based on the big picture: economic outlook, industry trends, market share, and so on.**
- F5. Better processes yield better results; better forecasting processes yield better forecasts.**
- F6. The best way to increase forecast accuracy is to focus on reducing forecast error.**
- F7. Bias is the worst kind of forecast error; strive for zero bias.**
- F8. Forecast volume; manage mix. Wherever possible, forecast at higher, aggregate levels. Forecast in detail only where necessary.**

- F9. One forecast, many views. Have only one forecast, with the ability to display it in a variety of ways for different uses.**
- F10. As soon as possible, replace the unknown with the known.** Quotes are more certain than forecasts; commitments are more certain than quotes; orders are more certain than commitments.
- F11. There is far more to be gained by people collaborating and communicating well than by all of the advanced formulas and algorithms yet developed.**
- F12. Better processes yield better results; better production, purchasing, and scheduling processes can help to get better forecasts by reducing lead times, thereby enabling a shorter forecast horizon and thus less opportunity for forecast error.**