

SPECIAL APPLICATION OF MARKETING RESEARCH

WEEK 9 MARKET AND SALES ANALYSIS RESEARCH

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WEEK NINE

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9.1 Introduction

Welcome to week nine lecture! It is my great joy to have you in this class. We have now covered 75% of the course content and we are excited about the progress so far. We have looked at major types of research carried out in the pre-launch stage of the research cycle. When a product is in the growth and maturity stage of product Lifecycle, sales are extremely important as they are expected to cover the cost of investment made. It is in the maturity stage the product becomes a cash cow for the business and competition is at its peak. The marketer will either prolong the product lifecycle or the decline stage will set in. to address issues in this stage, sales and market analysis are critical hence this topic.

9.2 Intended Learning Outcomes

At the end of this lecture, you will be able to:

1. Explain the purpose of market and sales analysis research.
2. Examine market and sales analysis research activities.
3. Evaluate the purpose of market analysis, market potential, sales forecasting and sales analysis.
4. Discuss the bases of sales analysis

9.3 Quotes on market and sales analysis research

1. "Good salespeople know their product; great salespeople know their customer." – Unknown
2. "Sales research helps you connect the dots between product features and customer needs." – Unknown
3. "Sales research is the foundation upon which successful sales strategies are built." – Unknown
4. "Data-driven sales research can turn insights into actionable strategies." – Unknown
5. "The best salespeople are not those who sell the most, but those who understand their customers the best." – Unknown
6. "In sales, research is not just an option; it's a necessity." – Unknown
7. "A deep dive into sales data reveals opportunities others may overlook." – Unknown
8. "The more you know about your customers, the better equipped you are to sell to them." – Unknown
9. "Market research is not about finding out what customers want; it's about understanding what they need." – Philip Kotler
10. "In today's competitive environment, understanding your market is not just an advantage, it's a necessity." – Michael Porter
11. "Identifying market potential is the first step in turning vision into reality." – Unknown

9.4 Definition of sales research

1. Sales research involves systematically gathering, analyzing, and interpreting information to understand market trends, customer preferences, and sales performance, aimed at improving sales strategies and outcomes (McDaniel & Gates, 2010)
2. Sales research is the process of identifying and evaluating market opportunities to help organizations make informed decisions about their sales tactics and strategies (Aaker, Kumar, & Day, 2007).
3. It encompasses the collection and analysis of data related to consumer behavior, competitor activities, and sales trends to enhance the effectiveness of sales teams (Malhotra, 2010).
4. Sales research refers to the investigation of sales data and customer insights to support strategic planning and optimize the sales process (Zikmund & Babin, 2010).
5. This type of research focuses on gathering actionable insights that can lead to increased sales effectiveness and efficiency through informed decision-making (Cooper & Schindler, 2014).

The definitions of sales research collectively highlight its importance in understanding and improving sales strategies. Here are a few key observations:

- **Systematic Approach:** Most definitions emphasize the systematic nature of sales research, which involves structured methods for data collection and analysis. This reinforces the idea that effective sales strategies are based on rigorous research rather than intuition alone.
- **Focus on Insights:** The definitions stress the need to gather insights about market trends, consumer behavior, and competitor activities. This suggests that sales research is not just about collecting data but about deriving actionable insights that can drive business decisions.
- **Strategic Importance:** Many definitions link sales research to strategic planning, indicating that it plays a critical role in shaping sales tactics and overall business strategies. This underscores the alignment between sales efforts and broader business goals.
- **Adaptability:** The references to evaluating market opportunities and optimizing processes suggest that sales research is dynamic and must adapt to changing market conditions and consumer preferences.
- **Cross-Functional Relevance:** The focus on customer insights and competitive analysis highlights that sales research is valuable across different departments, not just sales teams, as it informs marketing, product development, and overall business strategy.

Overall, these definitions reflect a comprehensive view of sales research as an essential tool for organizations aiming to enhance their sales performance and remain competitive.

9.5 Purpose of sales research

Sales research serves several critical purposes in business, helping organizations understand their market, refine their sales strategies, and ultimately enhance their revenue.

1. **Understanding Market Trends:** sales research helps identify and analyze market trends, enabling businesses to adapt to changes in consumer preferences and behaviors. Example: A retail company may conduct research to analyze shopping trends, discovering an increase in online purchasing during the holiday season. By adjusting inventory and marketing strategies accordingly, they can maximize sales (Kumar & Reinartz, 2016).
2. **Identifying Target Audiences:** Sales research aids in segmenting the market and identifying specific customer demographics, allowing for more targeted marketing efforts. Example: A software company might conduct surveys to determine the needs and preferences of small business owners versus enterprise-level clients. This insight can help tailor their sales pitches and product offerings (Kotler & Keller, 2016).
3. **Evaluating Competition:** Sales research enables businesses to assess their competitors' strengths and weaknesses, informing strategic decisions. Example: A new beverage company may analyze the pricing strategies, product offerings, and marketing campaigns of established brands to find gaps in the market (Porter, 1980).
4. **Forecasting Sales:** Effective sales research can help predict future sales trends based on historical data, seasonality, and market conditions. Example: A car manufacturer may analyze past sales data alongside economic indicators to forecast demand for a new vehicle model (Fildes & Goodwin, 2007).
5. **Improving Sales Strategies:** Sales research provides insights that can help refine sales tactics, improving overall effectiveness. Example: A B2B company might research the most effective channels for reaching their audience, discovering that webinars and trade shows yield higher engagement than traditional email campaigns (Rackham and DeVincentis, 1999).
6. **Measuring Customer Satisfaction:** Understanding customer satisfaction through research can lead to improved product offerings and customer retention. Example: A restaurant may conduct post-dining surveys to gauge customer satisfaction and identify areas for improvement, such as menu variety or service speed (Zeithaml, V. A., & Bitner, M. J. (2017). *Services Marketing: Integrating Customer Focus Across the Firm*. McGraw-Hill.
7. **Optimizing Pricing Strategies:** Sales research can help determine optimal pricing by analyzing customer sensitivity to price changes and competitive pricing strategies. Example: A fashion retailer might conduct A/B testing on different pricing tiers for a new clothing line to see which price points yield the highest sales volume (Nagle, & Holden, 2002).
8. **Enhancing Product Development:** Sales research provides insights that can guide product development based on customer feedback and market needs. Example: A technology firm might use focus groups and surveys to understand desired features in a smartphone, leading to a product that better meets consumer expectations (Ulwick, 2005).
9. **Tailoring Sales Training Programs:** Sales research can help identify the skills and knowledge gaps in sales teams, leading to more effective training programs. Example: A pharmaceutical company may analyze sales performance data to determine which representatives struggle with technical product details, then tailor training sessions accordingly (Honeycutt & Thelen, 2008).

10. **Understanding Customer Journey:** Sales research helps map the customer's journey, identifying touchpoints and barriers that can influence purchasing decisions. Example: An e-commerce platform may track user behavior on their site to identify drop-off points in the buying process, leading to optimizations that increase conversion rates (Lemon, & Verhoef, 2016).
11. **Assessing Marketing Campaign Effectiveness:** Sales research enables businesses to measure the impact of marketing campaigns on sales performance and customer acquisition. Example: A beverage company may use sales data analysis to evaluate the effectiveness of a promotional campaign, adjusting future strategies based on the results (Rust & Lemon, 2001).
12. **Enhancing Relationship Management:** Sales research provides insights into customer preferences and behaviors, helping businesses strengthen customer relationships. Example: A SaaS company may analyze customer interactions and feedback to develop a more personalized customer service approach, leading to higher retention rates (Payne & Frow, 2005).
13. **Identifying New Market Opportunities:** Sales research can uncover emerging markets or niches, guiding businesses in expansion efforts. Example: A food company might conduct demographic research to discover a growing interest in plant-based products among younger consumers, prompting them to develop new offerings (McKinsey & Company, 2021).

9.6 Focus of sales and marketing research

Market and sales analysis research encompasses a comprehensive examination of various factors that influence sales performance, both individually and collectively. This analytical framework aims to identify and quantify elements that impact market dynamics and sales outcomes. Key components of this research include:

1. **Market Analysis:** This involves evaluating the current market landscape, including consumer demographics, preferences, and competitive positioning. It helps businesses understand the environment in which they operate and identify opportunities for growth (Kotler & Keller, 2016).
2. **Market Potential:** Assessing market potential refers to estimating the maximum achievable sales volume for a product or service within a specific market segment. This metric is crucial for strategic planning and resource allocation (Czinkota & Ronkainen, 2013).
3. **Sales Forecasting:** Sales forecasting is the process of predicting future sales volumes based on historical data, market trends, and economic indicators. Accurate forecasts enable companies to make informed decisions regarding inventory management, staffing, and marketing strategies (Chikwe & Omoregie, 2020).
4. **Sales Analysis:** This entails a detailed examination of sales data to evaluate performance against targets, identify trends, and uncover areas for improvement. Sales analysis helps organizations refine their sales strategies and enhance overall effectiveness (Anderson & McKean, 2018).

By integrating these components, market and sales analysis research provides businesses with valuable insights to drive strategic decision-making and improve sales performance. We shall discuss each of these types of research briefly.

9.7 Market Analysis

Market analysis involves a systematic evaluation of the characteristics and dynamics of a market concerning specific products or consumer goods. This process aims to provide comprehensive insights into the market landscape, enabling businesses to make informed strategic decisions. Key elements that a thorough market analysis should address include:

- **Identification of Target Industries or Consumer Segments:** This involves defining the specific industries or demographics that are potential consumers of the product. Understanding these segments is crucial for tailoring marketing strategies (Kotler & Keller, 2016).
- **Market Penetration:** Evaluating the extent to which identified industries or consumers are engaged in the market. This can involve assessing market share, customer loyalty, and competition levels (Czinkota & Ronkainen, 2013).
- **Desired Product Attributes:** Identifying the specific features and benefits that different segments prioritize. This information helps in product development and marketing efforts, ensuring that offerings align with consumer needs (Armstrong & Kotler, 2017).
- **Buying Habits and Motivations:** Analyzing the purchasing behaviors and underlying motives of consumers or industries helps in understanding what drives sales in the market. Factors such as price sensitivity, brand loyalty, and seasonal trends play a critical role (Anderson & McKean, 2018).

One of the primary objectives of market analysis is to estimate market potential, which involves forecasting the maximum achievable sales volume within the targeted market segments. This estimate is vital for businesses as it informs strategic planning, resource allocation, and market entry decisions.

Procedure for Conducting Market Analysis

1. **Define the Market:** Clearly outline the product or service and the specific market segments of interest.
2. **Gather Data:** Utilize a combination of primary and secondary research methods. Primary research may include surveys, interviews, and focus groups, while secondary research can involve analyzing existing industry reports, academic studies, and market databases (Burns & Bush, 2016).
3. **Analyze the Data:** Organize and interpret the data to identify trends, patterns, and insights. Use statistical tools and software to assist in this analysis, ensuring that findings are robust and actionable.
4. **Develop Insights:** Summarize the findings into key insights that highlight opportunities and challenges within the market. This step should align with the objectives set at the beginning of the analysis.

5. **Report Findings:** Create a detailed report that presents the findings in a clear and concise manner. This report should include recommendations based on the analysis and insights derived.
6. **Implement and Monitor:** Finally, implement strategies based on the analysis and continuously monitor the market for changes that may impact performance. Regular updates to the market analysis are essential to remain competitive.

9.8 Market Potential

Market potential represents the total possible sales for a product or group of products within a specific market. It reflects the market's capacity to absorb these products, indicating the upper limit of market demand. Understanding market potential is crucial for businesses as it helps gauge the viability of entering or expanding in a market. Market potential serves several key purposes:

1. **Sales Territory Structuring:** Businesses can define sales territories based on potential market demand, allowing for more strategic resource allocation (Kotler & Keller, 2016).
2. **Setting Sales Quotas:** Organizations use market potential to establish realistic sales targets for their teams, ensuring alignment with overall business goals.
3. **Allocating Promotional Efforts:** By understanding market potential, companies can make informed decisions about where to invest in advertising and promotions, maximizing impact (Czinkota & Ronkainen, 2013).
4. **Location Decisions:** Market potential helps determine where to establish new plants, branches, or warehouses based on projected demand.
5. **Sales Compensation Plans:** Effective compensation structures can be designed by analyzing market potential, ensuring fairness and motivation for sales personnel.
6. **Evaluating Sales Force Effectiveness:** Understanding market potential allows businesses to measure the effectiveness of their sales strategies and personnel against established benchmarks.
7. **Identifying Customers and Prospects:** Market potential helps in identifying target customers and prospects, facilitating more focused marketing efforts.
8. **Selecting Distribution Channels:** Insights into market potential inform decisions on the most effective channels of distribution.
9. **Spotting Trouble Areas:** Analyzing sales patterns in relation to market potential can help identify "soft spots" or areas where sales performance may be lagging.
10. **Advertising and Promotion Allocation:** Market potential provides a basis for allocating budgets for advertising and promotional activities to maximize reach and effectiveness.

Methods for Measuring Market Potential

Several methods exist to estimate market potential:

- **Adjusted Industry Sales Method:** This method involves compiling industry sales data from trade associations or governmental sources. Market potential is estimated based on industry

sales figures, adjusted for expected growth or decline. For example, to estimate market potential for margarine, one might analyze historical sales data for margarine and butter, adjusting for market trends (Burns & Bush, 2016).

- **Purchase Proportion Method:** When industry sales data are unavailable, this method estimates potential market size by determining the purchase proportions of similar products. It is widely used, though it can lead to sizable errors in estimates. Therefore, it is advisable to use this method alongside others for a more accurate picture (Armstrong & Kotler, 2017).
- **Survey of Users:** For markets with a smaller population of current and potential users, a census can provide a reliable estimate of market potential. In larger markets, a sample survey is more feasible. The results from the sample must be adjusted to represent the overall market accurately (Anderson & McKean, 2018).

Understanding market potential is vital for businesses aiming to navigate complex market dynamics. By utilizing various methods to estimate market potential and applying these insights strategically, companies can optimize their operations and maximize growth opportunities.

Procedure for Conducting Market Potential Research

Conducting market potential research involves a systematic approach to gather, analyze, and interpret data to estimate the total possible sales of a product or service. Here's an outline of the procedure:

1. **Define Research Objectives:** Clearly articulate the goals of the research, such as understanding market size, identifying target segments, or evaluating competitive positioning.
2. **Identify the Market:** Define the specific market or industry of interest. This includes understanding the product category and the geographical area to be studied.
3. **Gather Secondary Data:** Collect existing data from sources such as industry reports, government publications, market studies, and trade associations. This data provides a foundation for understanding market dynamics.
4. **Conduct Primary Research:** If necessary, gather primary data through:
 - Surveys:** Distribute questionnaires to potential customers or industry experts to gather insights on purchasing behavior and preferences.
 - Interviews:** Conduct one-on-one interviews with key stakeholders or industry leaders to gain qualitative insights.
 - Focus Groups:** Organize discussions with target consumers to explore attitudes and perceptions regarding the product.
5. **Choose a Measurement Method:** Select appropriate methods for estimating market potential, such as:
 - Adjusted Industry Sales Method:** Use industry sales data as a baseline and make adjustments based on growth forecasts.
 - Purchase Proportion Method:** Estimate market size by analyzing purchase proportions of similar products if direct industry data is unavailable.
 - Survey of Users:** Conduct a census or sample survey to estimate potential market size based on user data.

6. Analyze the Data: Organize and process the collected data using statistical tools and software. Look for trends, patterns, and correlations that inform market potential.
7. Develop Insights: Summarize the findings into key insights that highlight market opportunities, potential challenges, and consumer preferences. Ensure that these insights align with the research objectives.
8. Prepare a Report: Compile the research findings into a comprehensive report. This should include:
 - Executive summary
 - Methodology
 - Key findings and insights
 - Recommendations for business strategy
 - Visuals such as charts and graphs to illustrate data clearly
9. Present Findings: Share the report with stakeholders, including management and marketing teams. Highlight key insights and actionable recommendations.
10. Implement and Monitor: Based on the research findings, implement strategies related to product development, marketing, and sales. Continuously monitor market trends and consumer behavior to adjust strategies as needed.

By following this structured procedure, businesses can effectively conduct market potential research to gain valuable insights into their target markets, guiding informed decision-making and strategic planning.

9.9 Sales Forecasting

Sales forecasting serves as a pivotal element in the marketing planning process, influencing various critical areas of decision-making within an organization. Effective sales forecasts guide essential operations, including production and inventory management, planning for plant and equipment investments, determining manpower requirements, and managing raw material purchases. Additionally, they inform budget allocations for advertising, sales expenditures, and overall cash flow needs. Consequently, any significant inaccuracies in sales forecasts can lead to substantial repercussions for a business (Kotler & Keller, 2016).

Sales forecasting is inherently complex, utilizing a range of concepts and techniques to achieve accurate predictions. Forecasting methods generally fall into two primary categories:

- A. Subjective (Qualitative) Methods: These approaches rely on judgment, intuition, and experience to predict future sales. They may include expert opinions, market research, and focus group discussions.
- B. Objective (Quantitative) Methods: These techniques are data-driven, using historical sales data and statistical analysis to forecast future performance. Examples include time series analysis, regression analysis, and econometric modeling (Chikwe & Omoregie, 2020).

Both qualitative and quantitative methods play a vital role in developing reliable sales forecasts, which are crucial for strategic planning and operational efficiency.

A) subjective (Qualitative) Methods of Sales Forecasting

Subjective or qualitative forecasting methods rely primarily on the opinions and insights of individuals rather than mathematical models. These techniques are often used in combination with quantitative methods to enhance the accuracy of sales forecasts. Here are some key qualitative methods:

(a) Jury of Executive Opinion: This method involves gathering a panel of executives to independently forecast sales for the upcoming period, typically a year. Each executive contributes their forecast based on available data and their judgment.

Advantages:

- Simplicity: Easy to implement and understand.
- Diverse Perspectives: Incorporates multiple viewpoints, which can lead to a more comprehensive understanding of market dynamics.

Disadvantages:

- Opinion-Based: The forecasts are heavily reliant on the subjective judgment of the executives, which can lead to biases.

Example: A company launching a new product might assemble a group of department heads to predict sales based on their insights into their respective markets (Kotler & Keller, 2016).

(b) Sales Force Composite: In this approach, sales representatives provide input on expected sales based on their knowledge of the market and customer behavior. The process can vary widely among organizations. Sales reps may either submit their own forecasts or adjust a given forecast based on their territory's conditions.

Advantages:

- Ground-Level Insight: Sales reps are often closer to the customer and can provide valuable insights that may not be captured by quantitative methods.

Disadvantages:

- Variability: The accuracy of this method can depend heavily on the experience and knowledge of the sales team.

Example: A retail company may ask its sales staff to estimate sales for each product line in their regions, which is then aggregated to form a comprehensive forecast (Chikwe & Omoregie, 2020).

(c) Consumer/User Survey: This method involves directly asking consumers about their intended purchases for a specified period. This approach is particularly effective in industrial markets where buyers are often more willing to provide insights.

Advantages:

- Direct Feedback: Provides firsthand information about consumer intentions and preferences.

Disadvantages:

- Response Bias: Survey results may not always reflect actual buying behavior due to factors such as overestimation of intent.

Example: A manufacturer might conduct surveys among businesses to assess their planned purchases of industrial equipment for the upcoming quarter (Burns & Bush, 2016).

(d) Delphi Method: The Delphi method is similar to the jury of executive opinion but differs in that it relies on anonymous feedback from experts rather than group discussions. A panel of experts provides forecasts in multiple rounds, with feedback shared after each round to refine estimates.

Advantages:

- Reduced Bias: Anonymity can reduce the pressure of conformity and bias present in group settings.

Disadvantages:

- Time-Consuming: The iterative process can take considerable time to reach a consensus.

Example: A tech company may use the Delphi method to forecast sales of a new software product by consulting with industry experts across multiple rounds of questionnaires (Linstone & Turoff, 2002).

(e) Product Testing and Test Marketing: Product testing involves evaluating potential demand by placing a pre-production model with a sample of users and gathering feedback on their experiences. Test marketing involves launching a product in a limited geographic area to gauge its performance before a wider release.

Advantages:

- Real-World Data: Offers practical insights into consumer reactions and market dynamics.

Disadvantages:

- Limited Scope: Results may not fully represent the broader market if the test area is not representative.

Example: A food company might test a new soup flavor by distributing samples to select grocery stores, gathering feedback on customer preferences and sales before a nationwide launch (Anderson & McKean, 2018).

Qualitative forecasting methods play a crucial role in understanding market dynamics and consumer behavior. By leveraging insights from various stakeholders, businesses can enhance the accuracy of their sales forecasts, ultimately informing strategic decision-making.

B) Objective (Quantitative) Techniques of Sales Forecasting

Objective or quantitative forecasting techniques rely primarily on mathematical models and historical data to predict future sales. These methods are increasingly favored due to advancements in computer software that facilitate complex calculations and data analysis. Below are some common quantitative techniques used in sales forecasting:

1. **Moving Averages:** Moving averages smooth out fluctuations in historical data to provide a clearer trend. This technique calculates the average sales over a specific number of previous periods, allowing businesses to identify patterns over time.

Advantages:

- Simple to understand and implement.
- Effective for identifying trends in stable environments.

Disadvantages:

- May lag behind actual changes in trends, as it relies on historical data.

Example: A retailer might calculate the moving average of monthly sales over the past six months to predict future sales (Chikwe & Omoregie, 2020).

2. **Exponential Smoothing:** Exponential smoothing is a more sophisticated version of moving averages that gives more weight to recent observations, allowing for quicker responsiveness to changes in trends.

Advantages:

- Can adapt more rapidly to changes in the data.
- Less data is required compared to some other methods.

Disadvantages:

- The choice of the smoothing constant can significantly impact forecasts.

Example: A company using exponential smoothing might adjust its sales forecasts for a seasonal product based on sales data from previous years, prioritizing the most recent months (Armstrong & Kotler, 2017).

3. **Time Series Analysis:** Time series analysis examines historical data points collected over time to forecast future values. This technique can identify seasonal patterns, trends, and cycles within the data.

Advantages:

- Provides a detailed understanding of underlying patterns.
- Suitable for long-term forecasting.

Disadvantages:

- Requires a significant amount of historical data for accurate analysis.

Example: A clothing retailer analyzing past sales data by month over several years to identify seasonal buying trends and forecast future sales accordingly (Burns & Bush, 2016).

4. **Z (Zee) Charts:** Z charts are used to visualize sales data over time and identify trends and cycles. They help in monitoring performance against set benchmarks.

Advantages:

- Easy to visualize and interpret trends.
- Useful for tracking performance and making comparisons.

Disadvantages:

- May oversimplify complex data patterns.

Example: A company might use a Z chart to compare actual sales against forecasted sales over multiple quarters, helping identify variances and trends (Kotler & Keller, 2016).

5. **Leading Indicators:** Leading indicators are economic factors that tend to predict future sales trends. By analyzing these indicators, businesses can make informed forecasts about upcoming sales performance.

Advantages:

- Can provide early warnings about potential changes in market conditions.
- Useful for strategic planning.

Disadvantages:

- Not always reliable, as economic conditions can change rapidly.

Example: A manufacturing firm might track housing starts as a leading indicator to forecast sales of home appliances (Chikwe & Omoregie, 2020).

6. **Simulation:** Simulation techniques use mathematical models to simulate various scenarios and their potential outcomes. This approach allows businesses to evaluate the impact of different variables on sales forecasts.

Advantages:

- Can model complex systems and account for multiple variables.
- Useful for risk assessment.

Disadvantages:

- Requires significant computational resources and expertise.

Example: A company might run simulations to forecast sales under different market conditions, such as changes in consumer preferences or economic downturns (Anderson & McKean, 2018).

7. Diffusion: Diffusion models are used to estimate how new products will be adopted in the market over time. These models typically involve variables such as market size, innovation adoption rates, and competitor actions.

Advantages:

- Provides insights into the adoption process of new products.
- Can help in planning marketing strategies.

Disadvantages:

- May require extensive market research data to be effective.

Example: A technology company might use a diffusion model to predict how quickly a new smartphone will penetrate the market based on historical adoption rates of similar products (Linstone & Turoff, 2002).

Quantitative forecasting techniques are essential tools for businesses aiming to make data-driven sales predictions. By leveraging mathematical models and historical data, these methods provide valuable insights that guide strategic decision-making and operational planning.

9.11 Sales analysis

Sales analysis is a crucial aspect of business strategy, focusing on evaluating actual sales results to identify trends and inform decision-making. It generally encompasses four primary bases of analysis: territory, product, customer, and order size. Each of these dimensions provides unique insights into sales performance, allowing businesses to pinpoint strengths and weaknesses.

1. Territory Analysis: Territory analysis involves evaluating sales performance across different geographical areas. This analysis helps identify which regions generate the most revenue and which areas may require additional sales efforts or marketing strategies. For instance, if sales data indicates that a particular region consistently outperforms others, businesses can consider allocating more resources to capitalize on that success. Conversely, underperforming territories may necessitate targeted marketing campaigns or a reassessment of the sales approach (Kotler & Keller, 2016).

The invoice is usually the basic sales record. It contains the following data essential to sales analysis:

- (i) Customers name.
- (ii) Customers' location.
- (iii) Product sold.
- (iv) Quantity of each item sold.

- (v) Price per unit.
- (vi) Total sales per product.
- (vii) Total shillings amount of order.

In some cases, it may be desirable to add further information about the customer, such as a size, type of business, users or wholesaler, chain or independent and so on. The first step is to decide what geographical control unit to use i.e. county (district) etc. The county (district) is the typical choice because:

- (a) Counties (county) can be combined to form larger units such as sales territories and
- (b) Market potentials are usually developed on county (district) basis since it is the smallest unit for which many items of data are available.

Thus, it will be possible to compare actual sales in a county with the county's market potential. Both sales and market potential are then tabulated by territories units. These territories in which sales fall below potential can be given special attention. The questions to be asked are:

- (i) Is competition usually strong in these areas?
- (ii) Has fewer selling efforts been put there?
- (iii) Is the sales force weak?

Studies of these points will help the company bolster (boost) its weak areas. Sales effort can be concentrated where they will do the best.

2. Product Analysis: Product analysis focuses on assessing the sales volume of individual products or product lines. This analysis helps identify which products are performing well and which are lagging. Understanding product performance is vital for inventory management and can inform decisions regarding product development or discontinuation. For example, a company might discover that a specific product line is driving the majority of its sales, indicating a need to expand that line or allocate more marketing resources to it (Homburg et al., 2014).

Over the years a company product line tends to become overcrowded unless strong continuing action is taken to eliminate those items which no longer are profitable (pruning). By eliminating weak products and concentrating on stronger ones a company can often increase its profits substantially. A classic example is Hunt foods, which over a 11-year period, reduced lines from 30 item to 3 items yet in increased sales from 15 to 120 million. As in analysis by territories, deciding what product units to use in product analysis is a problem. At one extreme a firm might classify product only by such groupings as industrial and consumer. At the other extreme, a firm might classify separately each product variation by color, size and so on. Sales of the more general grouping of products may be easier to analyze, but the poor sales performance of certain individual products may go unnoticed due to the combining of a number of products into one group.

Analysis by detailed breakdown is more expensive but is more apt (appropriate) to show the strong and weak product in a way that will permit constructive action. A product abandonment decision

must take into account such variables as markets-share trends, contribution margins, effect of volume on product profitability and degree of product complementarity with other items in the line. Product analysis may be particularly effective when combined with territory analysis. Such a study may show that, while territory A is above quota in total sales, it is very weak in sales of products 2. Combined analysis of this type makes it much easier to spot the places where action should be taken.

3. Customer Analysis: Customer analysis delves into the characteristics and behaviors of customers who contribute significantly to sales. By examining demographics, purchase patterns, and customer feedback, businesses can identify their most valuable customers and tailor their marketing strategies accordingly. This analysis can help in developing targeted promotions, improving customer service, and fostering customer loyalty. For example, data might reveal that a certain segment of customers consistently purchases high-margin products, prompting a company to create loyalty programs that incentivize repeat purchases from this group (Reichheld & Schefter, 2000).

Procedures like those described above may be used to analyze sales by customers. Such analysis typically shows that a relatively small percentage of customers account for a large percentage of sales (80:20 rule especially for industrial products, 80% of sales come from 20% of the customers). Distribution cost accounting should then be applied to determine the smallest customer. It is profitable to keep on the books (i.e. comparing sales from the customer and costs of providing at customer with the product). By dropping customers smaller than this size, the firm can improve its profitability. In many cases, analysis of this sort combined with a study of sales calls will show that as much time is spent on small accounts as on the large. Shifting some of that sales effort to the larger accounts may as well increase sales. Analysis by customer combined with analysis by territory and product may be particularly helpful in “pinpointing” weak spots in the sales program. Some salesmen may not be developing sales with a certain type of customer or product that has proven profitable in other territories. When this is discovered, remedial action can be taken because the precise points of weakness are known.

4. Order Size Analysis: Order size analysis looks at the volume of purchases made by customers, helping to identify the most profitable order sizes. Understanding order size trends can guide sales strategies, such as encouraging bulk purchases or adjusting pricing models to incentivize larger orders. For instance, if analysis reveals that larger orders are significantly more profitable, a company might implement discounts for bulk purchases to drive higher sales volume (Gupta & Kohli, 2006).

May identify orders (and customers) that are not profitable. E.g. certain customers may place frequent orders each for a relatively small quantity. If customers also require a great amount of service and attention from a sales representative, the cost of securing and handling each order may be high. If cost accounting data is available, it is possible to identify if such orders are incurring a loss. This analysis may be extended to find territories, product and customer where small orders

are prevalent. This may lead to setting a minimum order size, to training sales representative to develop large order, or to dropping certain territories, products or customers.

5. Sales analysis by sales representative

The objective here is to determine the performance of each individual sales representative. When it is combined with that of products and customers, the reasons for poor performance may be known. For example a sales representative could be performing poorly (inability to reach his quota) because one of his major customer has changed the supplier.

The overarching objective of these analyses is to uncover areas of strength and weakness within the sales framework. By determining which products yield the highest and lowest sales volumes, identifying the most productive customer segments, and analyzing the profitability of different order sizes, businesses can make informed decisions to enhance sales performance. This strategic focus allows companies to concentrate their sales efforts where they can achieve the greatest return on investment. By leveraging insights gained from sales analysis, companies can optimize their sales strategies, allocate resources more effectively, and ultimately drive revenue growth.

9.12 Challenges of conducting market and sales analysis

Conducting market and sales research is vital for understanding consumer behavior, market trends, and sales performance. However, it also presents several challenges that can impact the effectiveness and reliability of the findings. Here are some key challenges:

1. **Data Quality and Reliability:** One of the primary challenges is ensuring the quality and reliability of the data collected. Poor data quality can arise from various sources, such as:
 - **Inaccurate Responses:** Participants may provide misleading or incorrect information due to misunderstandings, bias, or lack of knowledge.
 - **Sample Bias:** If the sample does not represent the target population, the results may be skewed, leading to incorrect conclusions.
2. **Cost Constraints:** Market and sales research can be expensive, especially if it involves extensive surveys, focus groups, or data analysis. Smaller businesses may struggle to allocate sufficient budget for comprehensive research, limiting the scope and depth of their findings.
3. **Time Constraints:** Research can be time-consuming. Organizations often need timely insights to inform immediate business decisions. Lengthy research processes can delay strategic initiatives and lead to missed opportunities.
4. **Changing Market Conditions:** Markets are dynamic, and consumer preferences can change rapidly. Research findings can quickly become outdated, making it challenging to base long-term strategies on data that may no longer be relevant.
5. **Technological Challenges:** With the increasing reliance on digital tools for data collection and analysis, businesses face challenges such as:
 - **Data Privacy:** Compliance with data protection regulations (e.g., GDPR) can complicate data collection and limit access to consumer information.

- **Technology Adoption:** Companies may struggle to adopt new technologies for conducting research or analyzing data effectively.

6. **Interpreting Data:** Analyzing and interpreting data accurately can be complex. Researchers must be skilled in statistical methods and data interpretation to avoid drawing erroneous conclusions. Misinterpretation can lead to flawed strategies.

7. **Market Segmentation Complexity:** Identifying and segmenting the market accurately is often challenging. Consumers may belong to multiple segments or change their behaviors, making it difficult to create clear, actionable segments for targeted marketing.

8. **Resistance to Change:** Organizations may face internal resistance when attempting to implement changes based on research findings. Stakeholders may be skeptical about new strategies, especially if they challenge established practices.

9. **Access to Respondents:** Obtaining a sufficient number of respondents for surveys or focus groups can be challenging, particularly in niche markets. Low response rates can compromise the validity of research findings.

10. **Cultural Differences:** For global or multicultural research, understanding and accounting for cultural differences can complicate the research process. Misunderstandings may arise due to language barriers or varying cultural norms.

Despite these challenges, conducting effective market and sales research is essential for informed decision-making. Organizations can mitigate these challenges by investing in proper methodologies, utilizing technology, ensuring robust data collection practices, and fostering a culture that values research-driven insights.

9.13 Review Questions

1. **Market Potential Assessment:** How would you determine the market potential for a new product in a competitive industry? What factors would you consider in your analysis?
2. **Sales Forecasting Techniques:** Describe the quantitative and qualitative methods you would use to forecast sales for a new product launch. How would you ensure the accuracy of your forecasts?
3. **Analyzing Market Trends:** What steps would you take to identify emerging market trends that could impact sales? How would you incorporate these trends into your strategic planning?
4. **Sales Data Analysis:** Explain how you would analyze historical sales data to identify patterns and trends. What specific metrics would you focus on, and what tools might you use?
5. **Customer Behavior Insights:** How would you leverage customer behavior data to enhance sales forecasting? What types of data would be most valuable, and how would you analyze it?

6. Competitor Market Trends: How would you assess how competitor actions and market trends influence your sales strategy? What tools or frameworks would you use for this analysis?
7. Scenario Analysis: Describe how you would conduct a scenario analysis to evaluate potential sales outcomes based on different market conditions. What variables would you include in your scenarios?

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