

# **Sales Forecasting Based on Purchasing Intention Model**

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**2 pages – 600 words approx**

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## Introduction

Purchasing Intention model tries to evaluate how a customer purchases a specific product and what additional incentives he/she requires to buy the product. Purchasing intention model keep in view –

- Organization's Marketing Message Success - Awareness of the customer about the new product in the market.
- Desire to know more about product - Interest level of the customer to seek new information regarding the product.
- Adoption Rate - Likelihood of the customers to evaluate the new product compare to the existing products in the market.

Once the initial Information process is done then the customer has a certain level of intention to buy the product. The higher the intention level, greater will be the probability of turning it into sales. For example if intention rate is 50 percent and purchase rate is 20 percent, then 10 percent of all customers are likely to purchase the product.

### Shampoo Sales Forecasting based on Purchasing Intention Model

The present shampoo market in United States is around \$3 billion and the third largest player Head and Shoulder has the market share of around 7 percent. To generate the revenue of 210 million USD the company needs to price the product around \$10 a bottle and sell 21 million bottle. (*Business Wire, 2004*)

Based on our model if 10 percent of all targeted customers are willing to buy the product then company needs to target around 20 million customers. 20 million targets can result into 2 million customers who have potential to buy 10-11 bottles of shampoo in a year as Shampoo bottle usually lasts a month.

### **Problems with Forecasting**

As the shampoo market is highly dynamic segment so new product can seriously alter the company's existing position and brand equity. Secondly consumer intention has more variables than just the core product such as product imagery, perceived benefits etc Finally as the company seems to be weak in brand expansion it will face major challenges in increasing point of sales over the period and that can seriously result into decrease in product recall, given marketing efforts usually tapers out.

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### **Product Life Cycle Forecasting**

The average life cycle of a particular compound shampoo is from 12 months to 24 months. Then the company has to bring in new formula to lure the existing customers.

Going by these projections the company should strive to –

- Big bang start – Company should go for a marketing blitz with a clear focus on increasing product awareness and getting a buy in from the retail network. If

possible it should strive to explore new channels and ways to increase the distribution network.

*( First 3 months – 10 percent of the revenue with 20 percent of the sales)*

- Once the product start expanding it will be considered a star product based on BCG matrix, at this stage there should be an influx of new customers who will be joining in the regular customers, the early adopters. Project for next six months should be

*(3-9 months 30 percent of the revenue and almost 40 percent of the sales)*

- At maturity stage the product will become cash cow where the marketing and promotion efforts for the product will go down but the sales will only decrease slightly as loyal customers keep buying. Projections for this phase are –

*(9-20 months with 45 percent of the sales)*

- After using a product for around 20 Months customers usually let the product go and move to another product. The company should plan ahead to how to kill the product.

**(5 percent of the sales in last few months, mostly inventory clear-outs).**

## References

**Business Wire (2014)** Shampoo And Conditioner Markets in the United States Are in Decline with Shampoo Suffering a 3% Decline in 2014 and Conditioner 0.3%, but Premium Hair Care Product Sales Continue to Rise. *August Edition, 2014.*

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1. [Sales Forecasting,](#)
2. [Purchase Behavior Model,](#)
3. [Customer Life Time Value](#)

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