# How To Forecast 2010 Sales And Understand New Customer Requirements

## Kevin Hillstrom

## President, MineThatData

# Forecasting 2010 Sales

I am going to discuss an easy and straightforward method for determining your sales forecast for 2010.

This methodology allows you to easily determine the number of new customers you must acquire in order to grow your business in 2010.

# Step 1: Existing Customers

**For any customer who purchased from 2007.09.01 to 2008.08.31, calculate the following metrics:**

1. Probability of purchasing from 2008.09.01 to 2009.08.31 (**45%**).
2. If customer purchased from 2008.09.01 to 2009.08.31, calculate amount spent (**$250**).

Kevin Hillstrom, President
http://minethatdata.com/blog
kevinh@minethatdata.com

# Step 2: Lapsed Customers

**For any customer who last purchased prior to 2007.09.01, calculate the following metrics:**

1. Probability of purchasing from 2008.09.01 to 2009.08.31 (**10%**).
2. If customer purchased from 2008.09.01 to 2009.08.31, calculate amount spent (**$200**).

# Step 3: New Customers

**For any customer who first purchased from 2008.09.01 to 2009.08.31, calculate the following metrics:**

1. Calculate amount spent (**$150**).

# Step 4:  Calculate Customers/Sales

**Existing Customers**
- 100,000 * 0.45 * $250 = $11,250,000.

**Lapsed Customers**
- 300,000 * 0.10 * $200 = $6,000,000.

**New Customers**
- 20,000 * $150 = $3,000,000.

**Total Existing Customers & Sales**
- 100,000*0.45 + 300,000*0.10 +20,000 = **95,000 customers & $20,250,000 sales.**

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# Step 5: 2010 Customers/Sales

**Existing Customers**
- **95,000** * 0.45 * $250 = $10,687,500.

**Lapsed Customers**
- **325,000** * 0.10 * $200 = $6,500,000.

**New Customers**
- 20,000 * $150 = $3,000,000.

**Total Existing Customers & Sales**
- 95,000*0.45 + 325,000*0.10 +20,000 = **95,250 customers & $20,187,500 sales.**

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# 2010 Sales Are Stagnant

**This methodology quickly points out that this business is not going to grow in the next twelve months.**

**Let's say that management demands that we grow our business by at least 10% in 2010.**

**How many new customers do we need to achieve this level of growth?**

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# Step 6: Grow By 10%

**Existing Customers**
- **95,000** * 0.45 * $250 = $10,687,500.

**Lapsed Customers**
- **325,000** * 0.10 * $200 = $6,500,000.

**New Customers**
- 33,500 * $150 = $5,025,000.

**Total Existing Customers & Sales**
- 95,000*0.45 + 325,000*0.10 +33,500 = **108,750 customers & $22,215,500 sales.**

# New Customer Acquisition

**If Management demands that we grow the business by 10% next year, we have to acquire 33,500 new customers ... not 20,000 new customers.**

**Our job is to create a profit and loss statement that illustrates what it will cost to achieve 10% sales growth next year.**

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# Scenario Planning

**Multichannel Forensics is all about creating scenarios that allow us to determine whether our business is positioned for growth.**

**This same exercise can be replicated for annual repurchase rate, and spend per repurchaser. Maybe e-mail campaigns can be added?  We can run the scenarios!**

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# Predict The Future

**It isn't difficult to predict the future!**

1. Calculate the probability of a segment of customers purchasing again.
2. Measure how much the customer will spend if the customer purchases again.
3. Add in Newly Acquired Customers.
4. Replicate this process for all segments.
5. Replicate this process for future years.
6. You are the expert.  Your CEO needs you!!!!!!

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# Need Something More Complex?

**I routinely produce five year sales forecasts for all of your channels and merchandise divisions.**

**Nearly forty brands have been provided forecasts since mid-2007. Forecasts are generated for online brands, retail multichannel businesses, and catalog brands with an online channel.**

**Contact me for details: kevinh@minethatdata.com**