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Sales Forecasting Procedures Capable of Generating Planning and Control Responsibilities

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Description

A web survey that measured music downloading activity was developed and administered to online students at a medium-sized regional state university. The survey was announced to students in a variety of business courses including Consumer behavior, E-Commerce and business ethics. Students who participated did so of their own volition, thus rendering this a volunteer sample. The online survey can be viewed at certain system. A system of usable surveys was collected in 2004. A variety of demographic variables were measured, including gender, age, class standing, computer ownership and internet usage. Respondents were then asked to rate their level of agreement disagreement with 14 attitudinal statements that measured their views on both illegal and legal music downloading, industry pricing, music sharing and the threat of being sued. Summary results of the relevant variables in this portion of the study appear in demographic variables V1 through V10 excluding V9 were each collapsed into two groups. The mean scores of the attitudinal variables V17 through V30 were then compared for the two groups in each demographic variable. The number of respondents observed in each category appears in parentheses. The findings reported herein are not necessarily generalizable across the US population, given the narrow sample. Still, there is little reason to believe that students at this university very much in outlook and practice from students at other universities. As evidenced by the lawsuits, wholesale music piracy appears to be an equal opportunity activity across US campuses. Still, a cross-sectional

research project incorporating students at numerous universities would be an admirable extension of this research. It would also be interesting to compare the findings in this study with industry data for sales broken down by the various age groups, as well as consumer data for legal music downloads that are purchased. Still, the ubiquity of powerful PCs and more recently, portable devices such as iPods, have made music piracy a recreational activity. The industry has become an unwitting victim of technology proliferation, and it may matter little how low the price per song is on legal download sites. For as long as a person can copy music freely, the issue of ethics may be moot.

Forecasting Methods

A further observation obtained from large and small Ecommerce retailers rely heavily on relatively unstructured and non-quantitative forecasting methods. These include managerial judgment, percent of last year's revenue and trend extension. Overall, the E-Commerce firms in the sample were infrequent users of quantitatively oriented techniques such as computer simulation, econometric methods and decomposition. A possible explanation for these preferences is that the managers favor simple methods that appear to possess face validity. A final issue addressed by the questionnaire was the degree to which sales forecasts were predictive of actual sales. That is, respondents were asked to specify the difference between their most recent annual forecast and the actual sales for that time period. This difference was divided by the actual sales to obtain an error percentage for the annual forecast time period, which provides a gauge of sales forecast accuracy.

The evidence from the regressions also suggests that the probability that an institution failed was correlated with the control variables. Liberal asset and liability powers could have provided managers with the opportunity to take on excessive risk and could also have created the opening for managers to indulge in inappropriate behavior. However, the evidence indicates that such activities were not widespread. Instead, the estimated coefficient is negative and significant in both models, suggesting that the probability of failure was lower in states with less restrictive asset and liability powers. This is inconsistent with prior studies While that associate problems with increased investment in non-traditional assets and liabilities. Apparently, the opportunity to engage in non-traditional activities, by itself, was not a sufficient condition for thrifts to fail.

Manipulation of Forecast Data

The door is not completely closed on liability for servers or software distributors. The courts recognize that the safe harbour provisions of are not iron clad. In addition, as noted above, there remains a contradiction in the courts of appeal regarding the standard for contributory liability. The Grokster decision is being appealed to the U.S. Supreme Court by the recording industry, which claims the 9th Circuit is allowing Grokster and Steam cast to brazenly profit from infringement, with a very large amount of interest from outside groups in addition to the thousands of plaintiffs already involved. Given the conflict between the circuit courts and the high level of interest in the case, it would seem that we should see a decision from the high court on the issue, though it may be some time before the case is considered. In the meantime, the music industry has

apparently decided to pursue action against the underlying infringers the individual downloaders - more, it appears, as a sort of advertising campaign to stop sharing than as a real means of obtaining compensation for lost revenues.

The attempt to file lawsuits against individuals who use file-sharing software does appear to be a futile crusade, one opponent noting that over 60 million such individuals existed in mid-2003. With nowhere else to turn, however, the music industry has decided to indeed take this rocky road

It should be noted that firms preparing forecasts for the entire company only and not for categories such as customer type or product fail to take advantage of the full potential of sales forecasting. When forecast preparers utilize only aggregate forecasts they lose much of the planning and control benefits that are available through the manipulation of forecast data. This, of course, can hinder effective managerial strategy formulation and decision-making. Companies are well advised to develop sales forecasting procedures capable of generating estimates that are useful for managers with planning and control responsibilities.