# Tenant Sales Forecasting

**By Richard Berry**

**WE1** *Editor's Note: How can you forecast tenant sales in Enterprise One® 8.11? Let Richard Berry count the ways for you. There are seven methods for projecting sales over a several year period of time, plus a method for seasonality. So, if you're ready to plan ahead when it comes to tenant sales (without resorting to a crystal ball to see into your real estate future), Richard's here to walk you through the various methods, when you'll want to use them, and what information you'll need to get started.*

## 1. Introduction to Tenant Sales Forecasting

This module is used to forecast tenant sales, which is then used to form the basis for the computation of forecasted Sales Overage (Percentage Rent). While Sales Overage forecasting is handled by the new Advanced Real Estate Forecasting (AREF) module, sales forecasting, on which Sales Overage forecasting depends, is handled within the base Real Estate module in EnterpriseOne 8.11.

In order to generate forecasts, the system needs to contain a decent history of tenant actual sales. The examples in this article should give you an approximate idea of how much history is needed. In the absence of sales history, seasonality patterns can be used; even with seasonality patterns, the system still needs a small amount of actual sales history to initiate the forecast.

We should also clarify that in JDE, the phrase "estimated sales" is used to mean two different things. There are "estimated sales" that can be entered in the same way as actual sales, but with a flag to indicate that they are estimated. Then there are "estimated sales", as generated by this Tenant Sales Forecasting module. The difference is that while the first type of "estimated sales" entries update Table F1541B, same as actual sales, the second type of "estimated sales" update Table F1542. It is this second type of estimated sales that we are concerned with in this article.

> *Now, you can forecast the first year based on actual sales, and those sales can be used to forecast the second year, the second year forecast can be used to forecast the third year, and so on.*

Therefore, to avoid confusion, I will refer to this as "forecasted sales" or "projected sales". If you use AREF, however, you will see sales forecasts referred to as "estimated sales" on the screens and in the JDE literature—it's the same forecast we're discussing here. This confusion in terms has tripped up several people, as I can see from the cases logged in the Oracle Customer Connect site. So for clarification, we'll settle for the term "forecasted sales".

The Sales Forecasting chapter in the JDE Real Estate manual is unfortunately not the best, and the examples given have some mistakes. The formulas given are also not properly expressed. Therefore, I hope my examples are better. Nevertheless, the module works fine, and is an essential building block for AREF.

In EnterpriseOne 8.11, you can only effectively forecast one year ahead. This is quite limiting because most users would want to forecast several years ahead. AREF allows 15-year forecasts; but under SAR 7946780 this has been changed. Now, you can forecast the first year based on actual sales, and these forecasted sales can themselves be used to forecast the second year, the second year forecast can be used to forecast the third year, and so on, thus allowing you to forecast several years by running the forecast program R1542 multiple times. This change is available in ESU JJ10888.

The programs used in Tenant Sales Forecasting are:

| | |
|---|---|
| R1547 | Seasonality Generation |
| P15470 | Seasonality Information |
| P1549 | Seasonality Models |
| R1542 | Projected Sales Generation |
| P15423 | Projected Sales Revisions |
| P1541B | Sales History Inquiry |

The tables are as follows:

| | |
|---|---|
| F1542 | Projected Sales |
| F1547 | Sales Seasonality |
| F1549 | Seasonality Models |

Projected sales are based on actual sales found in table F1541B.

This article will focus on the forecasting of sales, particularly, the functionality of R1542 Projected Sales Generation. It does not cover the generation of seasonality patterns; perhaps we can cover that in another article.

## 2. Sales Forecasting Methods

There are seven forecasting methods available in JDE; actually eight methods, if we include forecasting based on seasonality patterns. Seasonality is used as a default method, if there is insufficient actual sales data. You cannot select to use seasonality; it is only used as a back-up method. But even seasonality still requires a minimum of three months actual sales to compute the forecast; if that bare minimum does not exist, then no forecast will be generated.

We will consider the seven methods and then the seasonality method:

*Method 1 –*
Percent increase of rolling 12 months over prior rolling 12 months

*Method 2 –*
Lease YTD increase over prior year

*Method 3 –*
Fixed percent increase

*Method 4 –*
Specific percent increase for each month

*Method 5 –*
Specific percent increase over prior month's sales

*Method 6 –*
Flat percent derived from comparing the 13th to the 1st month

*Method 7 –*
Property/Building YTD increase over prior year

## 3. Process Flow

A simple process flow can be drawn as shown in Figure 1.

Actual sales are the main input for the program R1542. As mentioned above, if ESU JJ10888 is applied, R1542 can use forecast sales as input
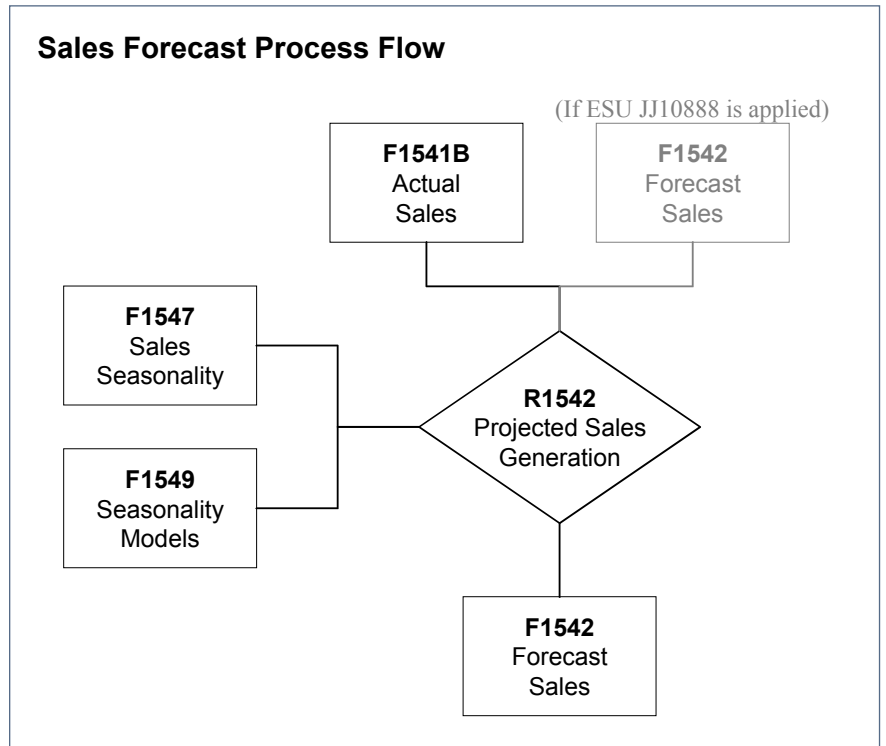


**Sales Forecast Process Flow**

(If ESU JJ10888 is applied)

**F1541B** Actual Sales

**F1542** Forecast Sales

**F1547** Sales Seasonality

**F1549** Seasonality Models

**R1542** Projected Sales Generation

**F1542** Forecast Sales

Figure 1 - Sales Forecast Process Flow

to generate the next year's forecast sales.

> *Seasonality is used as a default method, if there is insufficient actual sales data.*

## 4. Actual Sales

Actual sales can be viewed using P1541B Sales History Inquiry. This program can view both actual sales (from F1541B) and forecast sales (from F1542), and can combine them in the same view. Unfortunately, it can only view a 24-month range of dates (Figure 2).

Figure 2 shows actual and forecast (estimated) sales combined. The extract in Figure 3 shows just forecast sales.

*Note:* Periods are always referred to by the name of the month, i.e. "January" as period 1. Years refer to calendar years. JDE Sales Overage is designed like this. There is no scope to designate the "year" as a fiscal year.

## 5. Projection Conditions

R1542 will be able to forecast sales if the following conditions are met:

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