

ABSTRACT

Managing total sales and gross profit (in order to meet a firm's target) is a crucial task for senior management. Most companies have more than one products/services group to be managed and each group is often in different product life cycle (PLC). In order to manage total sales growth or gross margin target, senior management must set the target of sales growth and gross margin for each group.

The initial recommendation model is constructed to serve the objective by applying the product life cycle concept. The model is preset of the possible ranges of sales growth and gross margin of each stage of the product group based on the PLC concept. The program is running on the simple excel spreadsheet by simulating sales growth and gross margin from possible range of each product group based on its life cycle in order to meet the total sales growth and gross margin of the firm.

The model requires thoughtful attention from senior management on the input of each product group and select the possible sets of output to be the initial guideline. Therefore, careful use of the model is essential. For instance, if the target (sales growth and gross margin) is set inappropriately (too low/high), the model may not reach the any set of the outcome or even the target is set appropriate, the model may reach too many sets of outcome. These will require management attention to reconsider on setting the target or looking carefully on the contribution of each product group or carefully selecting one set of outcome before committing resources on the next stage.

The selected set of outcome will be the predetermined benchmark for performance evaluation of (middle) managers who manage each product group.