The Journal of Asia Entrepreneurship and Sustainability RESEARCH ARTICLE

ADAPTIVE SALES FORECASTING MODELS FOR SUSTAINABLE BUSINESS GROWTH: A MULTI-MODEL FRAMEWORK APPROACH

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Abstract
Sales forecasting plays a critical role in entrepreneurial decision-making, strategic planning, and sustainable business growth. However, existing forecasting approaches often fail to integrate behavioural, environmental, and strategic dimensions within a unified adaptive framework. This study develops an adaptive multi-model sales forecasting framework designed to support entrepreneurial sustainability across dynamic market conditions. The proposed framework integrates five progressively structured forecasting models ranging from basic driver-based approaches to advanced multiplicative and strategic models.
The study adopts a conceptual-analytical methodology supported by scenario-based simulations and a pilot empirical illustration conducted in Kolkata, India (n = 28), covering heterogeneous income segments. The framework operationalises key entrepreneurial and market variables including internal growth capability, market expansion, pricing behaviour, customer retention, distribution reach, and environmental uncertainty. The findings demonstrate that forecasting effectiveness varies significantly across contextual and strategic conditions, indicating that universality in forecasting is adaptive rather than formula-based.
A major contribution of the study is the introduction of the **Adaptive Sales Modelling Principle**, which proposes that model selection should align with environmental complexity, data availability, and strategic intent. The paper further contributes to entrepreneurship and sustainability literature by integrating behavioural economics, strategic management, and quantitative forecasting within a flexible decision-support framework.
The results suggest that sustainable entrepreneurial growth depends not only on forecasting accuracy but also on the strategic adaptability of forecasting structures to evolving market realities. The framework offers practical implications for entrepreneurs, business managers, and strategic planners operating under uncertain and rapidly changing business environments.

Keywords: Sales Forecasting; Adaptive Modelling; Marketing Analytics; Sales Growth; Behavioral Economics; Quantitative Marketing

1. Introduction

Sales forecasting is central to strategic planning, financial control, and operational efficiency. Despite advances in econometric modelling and analytics, organizations continue to rely on a mix of heuristic judgment and simplified growth assumptions. This reflects a fundamental challenge: **sales development is influenced by multiple interacting variables that are neither stable nor uniformly measurable**.

Traditional models—such as time-series forecasting, regression analysis, and causal models—provide partial solutions but lack universal applicability across industries and contexts. At the same time, managerial models offer usability but lack theoretical robustness.

A key insight underlying this research is that:

Sales development is not linear but multiplicative and adaptive, driven by evolving interactions between internal capabilities, market conditions, consumer behavior, and risk factors (Kotler & Keller, 2022; Kahneman, 2011).

This study proposes that:

- No single formula can universally predict sales
- A **hierarchy of models** is required
- **Adaptation** is the true universal principle

2. Literature Review

2.1 Statistical Forecasting Models

Time-series models (ARIMA, exponential smoothing) rely on historical data patterns (Box & Jenkins, 1976). While statistically rigorous, they assume structural stability.

2.2 Econometric and Causal Models

Regression-based models incorporate explanatory variables such as price, income, and demand drivers (Gujarati & Porter, 2009). These models improve explanatory power but require extensive data.

2.3 Marketing and Behavioural Models

Marketing literature emphasises brand equity, consumer behaviour, and demand elasticity as key determinants of sales performance (Kotler & Keller, 2022). Behavioural economics further highlights psychological influences in decision-making and demand formation (Kahneman, 2011; Dhar & Wertenbroch, 2020).

Research Gap

Existing approaches lack:

- Integration across modelling paradigms
- A mechanism for contextual adaptation

Despite significant advancements in forecasting methodologies, existing models exhibit structural limitations. Time-series models assume historical continuity and struggle under structural breaks or market disruptions (Box & Jenkins, 1976). Econometric models, while more flexible, require extensive data and often fail to capture behavioural and strategic variables that influence sales outcomes (Gujarati & Porter, 2009).
Marketing and behavioural models provide valuable insights into consumer decision-making; however, they are rarely integrated into formal forecasting equations, leading to a disconnect between qualitative insights and quantitative prediction (Kotler & Keller, 2022; Kahneman, 2011).

Model	Structure	Complexity Level
Model 1	Basic drivers	Low
Model 2	Averaged factors	Medium
Model 3	Weighted factors	Medium
Model 4	Theoretical model	High
Model 5	Multiplicative model	High

Consequently, the literature lacks a unified framework that integrates operational simplicity, behavioural realism, and mathematical robustness. This study addresses this gap by developing a hierarchical multi-model framework and introducing an adaptive mechanism for model selection based on contextual conditions.

3. Methodology

This study adopts a **conceptual-analytical methodology** with structured model development and scenario-based validation.

3.1 Base Condition

S2025 = ₹100 crore
Objective:
$S_{(}2026_{)}$ = f (Growth Drivers)

3.2 Core Assumption

Sales growth follows a **multiplicative structure**:
$\mathbf{S_{(}t+1_{)} = S_{(}t_{)} \times (1 + G)}$
Where G represents aggregate growth drivers
This reflects compounding effects across drivers rather than additive growth, consistent with forecasting theory and time-series dynamics (Box & Jenkins, 1976; Makridakis et al., 1998).

3.3 Model Construction

Five models are constructed with increasing complexity:

3.4 Scenario-Based Validation

To strengthen analytical rigor, three scenarios are simulated:

Scenario	Growth Context
Conservative	Low growth / high risk
Moderate.	Balanced conditions
Aggressive	High expansion

Scenario Parameter Table

Scenario		Market Growth	Risk	Expansion	Interpretation
Conservative		3–5%	High	Low	Defensive
Moderate		6–8%	Medium	Medium	Balanced
Aggressive		9–12%	Low	High	Expansion

3.5 Pilot Empirical Illustration

To provide an initial empirical grounding for the proposed framework, a small-scale pilot study was conducted in Kolkata, India. The sample comprised n = 28 respondents, distributed evenly across four income segments:
High-Income Group (HIG): n = 7
Middle-Income Group I (MIG-I): n = 7
Middle-Income Group II (MIG-II): n = 7
Low-Income Group (LIG): n = 7
Respondents were selected using quota-based convenience sampling to ensure basic socio-economic diversity. The study captured perceptions of key sales development drivers, including market conditions, behavioural response, pricing sensitivity, and perceived risk.
All variables were measured using structured rating scales, allowing the translation of qualitative perceptions into quantitative inputs aligned with the proposed models.
Given the exploratory nature of the study and the limited sample size, the pilot does not aim to provide statistically robust validation. Instead, it serves to demonstrate the feasibility of operationalising the framework and mapping real-world inputs into the modelling structure.
Preliminary observations indicate variation in the perceived importance of growth drivers across income segments, supporting the central premise that sales development is context-dependent and

influenced by heterogeneous behavioural and environmental conditions.

4. Model Development

4.1 Model 1: Basic Driver Model

$S2026 = S2025 \times (1 + Gi + Gm) \times (1 + Pn) \times (1 - Cr)$

Where:

S2026 = Sales in 2026
S2025 = Sales in 2025 (base year)
Gi = Internal growth rate (e.g., marketing, expansion)
Gm = Market growth rate
Pn = Net price increase rate
Cr = Customer churn rate

The projected sales for 2026 are derived by adjusting the base year sales (2025) for internal growth, market expansion, pricing effects, and customer attrition.

Strengths

Simple and intuitive structure for managerial use
Easy to implement in spreadsheets and forecasting tools
Requires minimal data inputs
Suitable for short-term planning in stable markets

Limitations

Ignores behavioural and macroeconomic variables
Assumes linear aggregation of growth factors
Limited ability to capture market volatility
Not suitable for complex or dynamic environments

4.2 Model 2: Multi-Factor Averaged Model

$S_{(2026)} = S_{(2025)} \times (1 + (\Sigma \text{ Factors} / 6) \times (1 / (1 + E)))$

Where $S_{(2026)}$ and $S_{(2025)}$ denote base-year and forecast-year sales, respectively. "Factors" represent the set of growth drivers (e.g., internal capability, market growth, pricing, distribution, behavioural response, and retention). The denominator normalises the average effect across six drivers, while E captures external uncertainty or environmental friction; higher E dampens the effective growth contribution. The formulation assumes proportional (multiplicative) growth, with equal weighting across factors. Thus, expected sales growth equals the average contribution of key drivers, adjusted downward by environmental uncertainty. All factor inputs are expressed as proportional rates (e.g., 0.05 for 5%).

Strengths

- Multi-dimensional: integrates multiple growth drivers into a single framework
- Includes external shocks through the environmental factor (�)
- Conceptually simple and easy to interpret
- Reduces over-reliance on any single variable
- Suitable for moderate-complexity environments
- Provides a balanced baseline estimate for planning
- Easy to implement in spreadsheet-based forecasting tools
- Less data-intensive compared to weighted or econometric models

Limitations

- Equal weighting bias: assumes all factors contribute equally, which may not reflect reality
- Reduced sensitivity to dominant drivers
- May underestimate high-growth or high-impact scenarios
- Oversimplifies interactions between variables
- Does not capture non-linear or multiplicative effects fully
- Vulnerable to dilution when strong and weak factors offset each other
- Limited adaptability to industry-specific conditions
- Does not account for temporal dynamics or lag effects

4.3 Model 3: Weighted Factor Model

$G = \Sigma (w_i X_i) - \text{Risk}$

Strengths

- Captures relative importance of drivers through differential weighting
- Allows industry-specific calibration (e.g., pharma vs FMCG)
- Improves sensitivity to dominant growth drivers
- Bridges managerial judgement and quantitative modelling
- More flexible than equal-weight models

Limitations

- Requires accurate estimation of weights, which may be subjective
- Weight instability across time and contexts
- Sensitive to mis-specification of key drivers
- Requires data or expert calibration
- May produce biased forecasts if weights are poorly assigned

4.4 Model 4: Generalised Theoretical Model

$S_{(t+1)} = S_{(t)} \times (1 + \Sigma w_i X_i - \Sigma v_j Y_j)$

Strengths

- Integrates positive drivers (X_i) and negative constraints (Y_j) in a unified structure
- Theoretically robust and aligned with economic and behavioural modelling
- Allows inclusion of multi-dimensional variables (market, behavioural, strategic)
- Suitable for strategic planning and scenario analysis
- Provides a foundation for future econometric estimation

Limitations

- Highly data-intensive and complex
- Requires estimation of multiple parameters (weights)
- Difficult to implement without advanced analytical capability
- May reduce managerial usability due to abstraction
- Risk of overfitting or misinterpretation in practical applications

4.5 Model 5: Multiplicative Model

$$S_{(2026)} = S_{(2025)} \times \prod (1 + f_i)$$

$\prod$ = product (multiplicative growth)

Strengths

- Captures real-world compounding effects of growth drivers
- Reflects non-linear sales development dynamics
- Highly flexible and scalable across industries
- Aligns with time-series and growth theory principles
- Suitable for high-growth and dynamic environments

Limitations

- Assumes independence between factors, which may not hold in reality
- Sensitive to small estimation errors (compounding effect)
- Requires careful calibration of input variables
- May overestimate growth in highly optimistic scenarios
- Interpretation may be less intuitive for non-technical users

The projected growth in Model 4 represents an upper-bound scenario and should be interpreted cautiously, particularly in mature or regulated markets where such expansion levels are unlikely to be sustained.

The selection of forecasting model is determined as follows:

Low E + Low D → Model 1
Medium E + Medium D → Model 2
High D → Model 3
High S → Model 4
High E + High complexity → Model 5

Model	Complexity	Data Need	Accuracy	Use Case
Model 1	Low	Low	Moderate	Stable markets
Model 2	Medium	Low	Moderate	Balanced planning
Model 3	Medium	Medium	High	Data-driven firms
Model 4	High	High	High	Strategic modelling
Model 5	High	Medium	High	Dynamic markets

5. Results

Scenario Outcomes (₹100 Crore Base)

Model	Conservative	Moderate	Aggressive
Model 1	104–108	110–115	120
Model 2	103–105	110–112	118
Model 3	95–115	110–120	130
Model 4	110–130	130–150	159
Model 5	105–115	115–130	133

Results confirm:

- High variability across models
- Sensitivity to structure and assumptions

While the scenario simulations illustrate the sensitivity of model outputs to structural assumptions, the pilot study further reinforces that variation in contextual conditions—particularly across income segments—can influence the relative importance of growth drivers, thereby supporting the adaptive model selection approach.

6. Discussion

6.1 Core Finding

Universality in sales forecasting is not structural but adaptive, as evidenced by both scenario-based simulations and the pilot illustration, which demonstrate that model effectiveness varies with contextual conditions (Kotler & Keller, 2022; Kahneman, 2011).

6.2 Adaptive Sales Modelling Principle

$S_{t+1} = S_t \times \Phi(E, D, S)$

Where:

- = environment
- = data availability
- = strategy

6.2.1 Operationalisation of Φ Function

The adaptive function Φ(E, D, S) is operationalised through a structured evaluation of three dimensions: environment (E), data availability (D), and strategic intent (S). Each dimension is scored on a scale of 1 to 5, where higher values indicate greater complexity or availability.

Dimension	**Low (1–2)**	**Medium (3)**	**High (4–5)**
Environment (E)	Stable market	Moderate change	High volatility
Data (D)	Limited data	Partial data	Rich dataset
Strategy (S)	Operational	Tactical	Strategic

For operational purposes, the adaptive function may be expressed as a weighted index:

Φ = (αE + βD + γS) / (α + β + γ),

Where E, D, and S represent environment, data availability, and strategic intent, respectively, and α, β, γ denote their relative weights. In the absence of empirical calibration, equal weighting may be assumed.

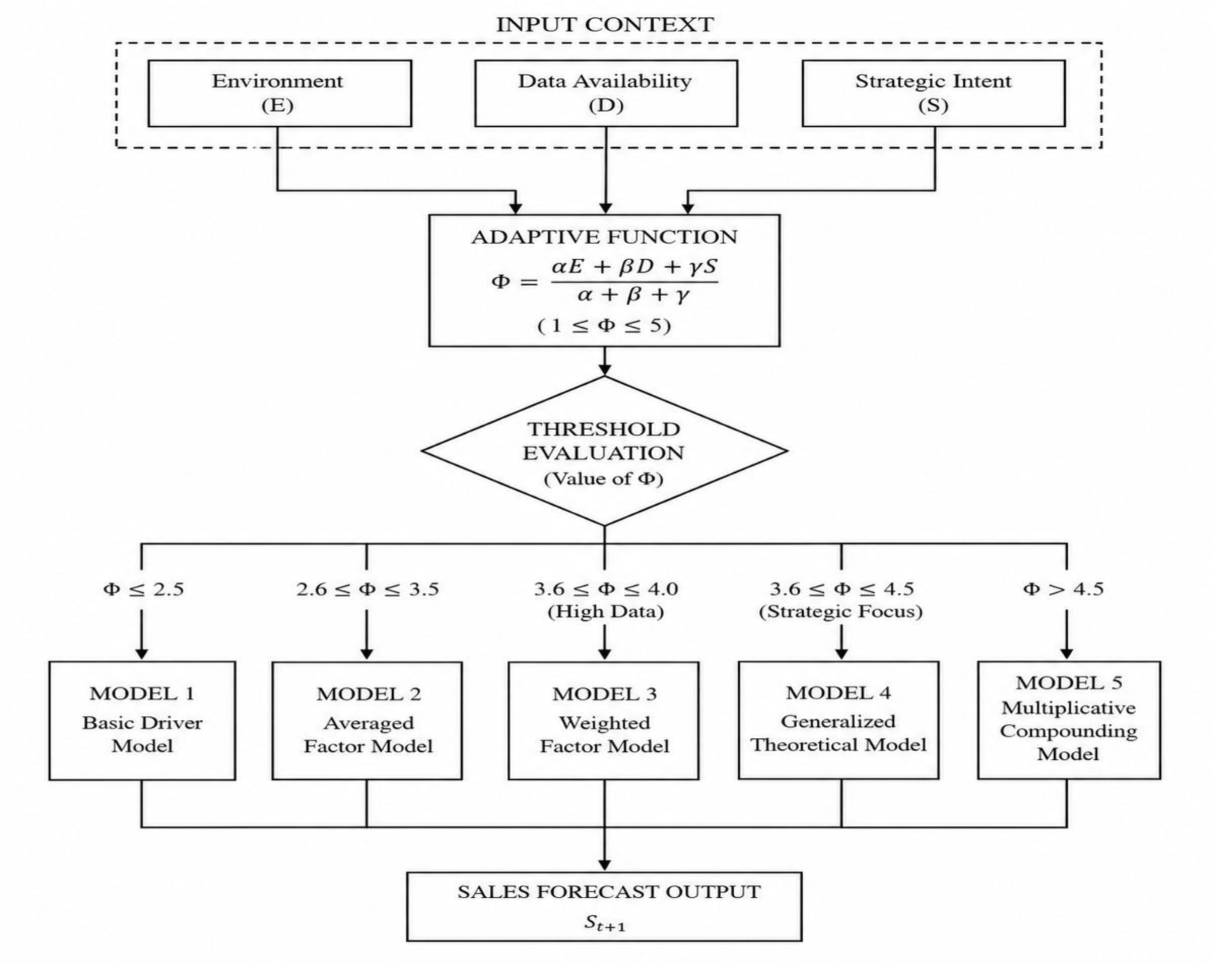

Figure 1: Adaptive Sales Modelling Framework

6.3 Model Selection Framework

Context	**Model**
Stable	Model 1
Moderate	Model 2
Data-driven	Model 3
Strategic	Model 4

Context	Model
Complex	Model 5

To operationalise the adaptive framework, the composite score Φ may be used to guide model selection through threshold-based decision rules. Assuming Φ is scaled between 1 and 5, values of Φ less than or equal to 2.5 indicate stable, low-complexity environments, for which Model 1 is appropriate. Values between 2.6 and 3.5 represent moderate conditions, where Model 2 provides a balanced estimation. When Φ lies between 3.6 and 4.0 under conditions of adequate data availability, Model 3 is recommended for more analytically driven forecasting. In contexts where Φ falls between 3.6 and 4.5 with a strategic emphasis, Model 4 is more suitable for scenario-based planning. Finally, values of Φ greater than 4.5 indicate high complexity and volatility, where the multiplicative structure of Model 5 provides the most appropriate representation of sales development dynamics.
These thresholds translate the adaptive function into a practical decision rule, enabling consistent alignment between contextual conditions and model selection.

6.4 Theoretical Contribution

This study:

- Bridges **qualitative marketing theory with quantitative modelling**
- Introduces **adaptive universality**
- Proposes a **Sales Formation Framework**

7. Limitations

This study is subject to several limitations. First, the empirical component is limited to a small-scale pilot (n = 28), which restricts statistical generalisation and does not permit robust estimation of model parameters. Secondly, the framework relies partly on simulated scenarios, with parameter values that are indicative rather than empirically calibrated. Thirdly, the adaptive function (Φ) is operationalised using simplified weighting assumptions that require further empirical validation. Finally, the models assume partial independence among drivers, which may not fully capture real-world interdependencies.

8. Future Research

Future research should focus on large-scale empirical validation using longitudinal or panel data across industries. In particular, regression-based estimation of model parameters, calibration of the adaptive function (Φ), and testing of threshold-based model selection rules would significantly enhance the robustness of the framework. Further work should also address interdependencies among variables and explore integration with machine learning-based forecasting approaches.

9. Applied Case Study: Pharmaceutical Market (India Context)

The result may represents an aggressive upper-bound scenario driven by strong brand equity and field force effectiveness and may not reflect typical mature-market conditions.\

9.1 Case Background

To demonstrate the applicability of the proposed framework, a case simulation is conducted for a mid-sized Indian pharmaceutical company operating in the chronic therapy segment (e.g., anti-diabetic and cardiovascular drugs).
The Indian pharmaceutical market typically exhibits moderate growth influenced by macroeconomic conditions and policy interventions (Reserve Bank of India, 2025; McKinsey & Company, 2024).
The Indian pharmaceutical market is characterized by:
High competition (generic dominance)
Strong influence of field medical representatives
Doctor-driven prescription behaviour
Increasing regulatory oversight
Moderate-to-high market growth (6–10%)
Sales development in this sector is influenced by:
Brand recall among physicians
Prescription behaviour
Distribution reach (stockist → retailer → hospital)
Pricing control mechanisms (e.g., NPPA)
Patient adherence and repeat purchase

9.2 Base Condition

S_{2025} = ₹100 crore
Objective: S_{2026} = ?

9.3 Parameter Mapping to Models

The pharmaceutical context allows mapping of variables as follows:

Factor	Variable	Pharma Interpretation
Brand Equity	B	Doctor trust, recall
Marketing	M	MR effectiveness, CME programs
Distribution	D	Stockist coverage, hospital tie-ups
Consumer Behaviour	C	Patient adherence, chronic usage
Economy	E	Healthcare spending growth
Product Strength.	P	Molecule differentiation
Risk	R.	Regulatory pressure, competition

9.4 Model Application

Model 1 (Basic Driver)
Assumptions:
Internal growth = 8% (MR expansion + new doctors)
Market growth = 7%
Price increase = 3%
Churn = 5%
$S_{2026} = 100 \times (1 + 0.08 + 0.07) \times (1.03) \times (0.95)$
$S_{2026} \approx ₹114.48 \text{ crore}$
Model 2 (Averaged Multi-Factor)
Using realistic pharma parameters:
I = 6% (price control + inflation)
M = 7% (industry growth)
C_p = 5% (brand share gain)
T = 4% (digital doctor engagement)
D = 8% (new territories)
R = 5% (repeat prescriptions)
L = 6% (regulatory + competition)
E = 10% (external uncertainty)
$\text{Growth} \approx 4.8\%$
$S_{2026} \approx ₹104.85 \text{ crore}$
Conservative estimate due to averaging dilution
Model 3 (Weighted Model)
Applying weights (pharma-specific):
Market (25%), Retention (20%), Competition (20%), Distribution (15%), Tech (10%), Pricing (10%)
Result:
$\text{Growth} \approx 10–12\%$
$S_{2026} \approx ₹110–112 \text{ crore}$
Model 4 (Theoretical Model)
Assumptions:

Variable	Value
B	0.7
M	0.6
D	0.5
C	0.4
E	0.3
P	0.6
R	0.4

Using weights:
$G \approx 0.55$
$S_{2026} = 100 \times (1 + 0.55) = ₹155$ crore
Reflects aggressive growth with strong brand + Field Medical Representative's efficiency
The parameter values (e.g., B=0.7, M=0.6) represent relative intensity scores based on strategic assessment of brand strength, marketing capability, and distribution effectiveness. These values are indicative and intended for scenario analysis rather than empirical prediction.
Model 4's output of ₹155 crore (~55% growth) represents an aggressive upper-bound scenario driven by strong brand equity and field force effectiveness and may not reflect typical mature-market conditions.
Model 5 (Multiplicative Model)
Using pharma-relevant factors:
Market growth = 7%
Inflation = 5%
Share gain = 4%
Capacity expansion = 6%
Distribution = 5%
Product mix = 3%
Price realisation = 2%
External shock = -2%
Multiplier ≈ 1.30
S_{2026}. ≈ ₹130 crore

9.5 Comparative Results (Pharma Case)

Model	Forecast (₹ Cr)	Growth %	Interpretation
Model 1	114.48	~14%	Practical estimate
Model 2	104.85	~5%	Conservative
Model 3	110–112	~11%	Balanced
Model 4	155	~55%	Aggressive (brand-driven)
Model 5	130	~30%	Realistic high-growth

9.6 Key Insights from Pharma Case

- 1.Model Sensitivity

Pharma sales are highly sensitive to brand + MR effectiveness
Model 4 captures this strongly

- 2. Regulatory Dampening Effect

Models including risk/shock show lower growth
Reflects real NPPA and pricing pressures

- 3. Multiplicative Reality

Model 5 provides the most realistic outcome
Captures:
Compounding prescriptions
Repeat consumption
Distribution expansion

9.7 Strategic Implications for Pharma Industry

Growth is not purely market-driven → doctor behaviour-driven
Distribution expansion is critical in Tier 2/3 cities
Brand equity acts as a multiplier, not just a driver
Risk factors (regulation, generics) significantly impact projections
The variables used in the pharma case correspond to the general framework factors, with I, M, D, etc. Representing internal, market, and distribution drivers respectively.

9.8 Link to Adaptive Framework

The pharma case validates:

Situation	**Best Model**
Stable molecule market	Model 1
Regulated environment	Model 2
Company-specific planning	Model 3
Brand strategy	Model 4
Real-world forecasting	Model 5

9.9 Case Conclusion

The pharmaceutical application confirms that:
Sales forecasting accuracy improves when model selection adapts to industry structure and behavioural dynamics.

10. Conclusion

This study develops an adaptive multi-model framework for sales forecasting and demonstrates that no single model achieves universal applicability across varying market conditions. By integrating five modelling approaches and complementing them with a pilot empirical illustration, the study establishes that sales development is inherently adaptive, non-linear, and context-dependent.
The introduction of the Adaptive Sales Modelling Principle provides a conceptual shift from formula-centric forecasting towards context-driven model selection. The pilot study further supports the feasibility of operationalising the framework in real-world settings, highlighting variation in driver importance across socio-economic segments.
Overall, the framework offers both theoretical and practical value by linking behavioural, strategic, and quantitative dimensions of sales forecasting. With further empirical validation and calibration, it has the potential to evolve into a robust decision-support tool for forecasting across industries.

Funding: This research received no external funding..
Ethical Approval: Not applicable.
Acknowledgements: The authors would like to acknowledge the academic environment and institutional support that contributed to the development of this research.

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