CatchBull
MAKE FORECASTING PAY

CONTINUOUS IMPROVEMENT

Summary

How ForecastQT helped a $5bn US consumer goods company achieve major improvements in forecast quality, even after they had just invested heavily in sophisticated software and processes.

Story

Significant improvement in forecast quality can only be achieved by major investments in forecasting software.

That is what many people are led to believe; but is it true?

Our experience tells us that forecasting software is not a 'silver bullet'. Typically, forecasting packages use the same set of algorithms. No mathematical technique will solve the problems of forecasting; indeed our research shows that all of them will fail to beat a crude benchmark at least 30% of the time. The only way to improve forecast quality is to continuously monitor performance and stop doing what doesn't work and do more of what does.

Despite having made significant investments in forecasting technology in recent years, this company still managed to deliver major improvements in forecasting performance, very quickly using this approach. For a period of six months, demand managers used ForecastQT to track performance; being guided to make improvements where ForecastQT's alarms indicated that a significant problem needed to be addressed.

At the end of this six-month period, we found that, in the product categories where ForecastQT was used, there was a significant improvement (28 Value Added Score/VAS points; c.14% reduction in error) compared to those where it was not (7 point VAS improvement; c.3.5% error reduction). In financial terms, the difference in value added just from this small sample, was nearly $1m pa.

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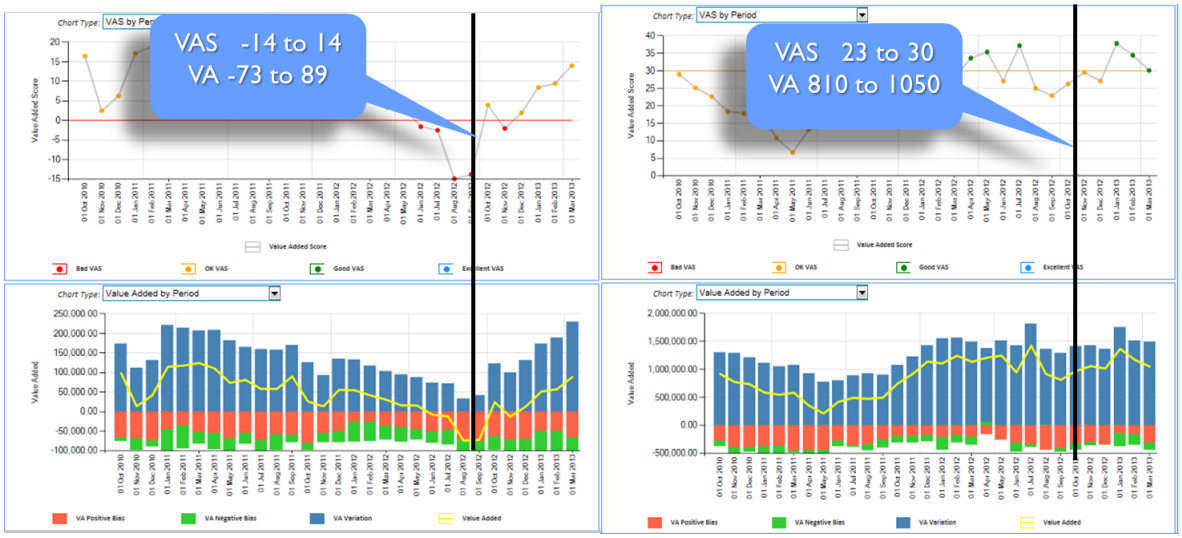

The Message

ForecastQT's functionality guides attention to those areas of poor forecast performance which all forecast processes will manifest from time to time, irrespective of the degree of sophistication employed. Of equal importance, ForecastQT diverts attention away from areas of forecast performance that would suffer negatively from intervention. In these ways significant savings can be made at low cost through continuous improvement.