Making Better Market Decisions

LEVERAGING EXTERNAL DATA TO KNOW WHEN BEST TO ENTER OR EXIT A MARKET

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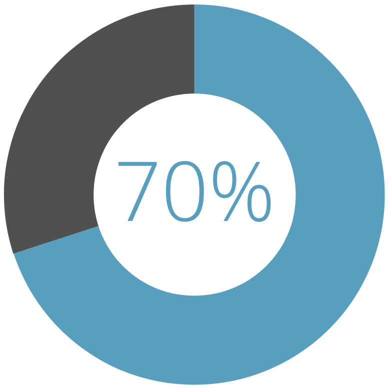
Leveraging External Data to Know When Best to Enter (and Exit) a Market

Many companies today operate or sell their products and services globally, the world their playground. But, entering a new markets is fraught with complex risks. Equally complicated is knowing when best to exit a market, as stick-ing with a losing proposition will consume capital that can otherwise be directed to more profitable enterprises.

To make such thorny business decisions, organizations need to be able to access applicable, accurate and timely information on the economic and demographic factors in a global market that can quickly turn today's sure bet into tomorrow's losses. As Steve Player, executive director of the Beyond Budgeting Round Table, sees it, **"Companies need to understand the forces that shape the size and direction of markets to make informed decisions on which ones offer the most bang for the buck."**

To make the right market decisions, organizations must apprehend and comprehend an enormous amount of complex and constantly changing exogenous data. Why is this important? Because there may be risks that are brewing in a particular market that may eventually affect a company's sales in that region. Among these risks are macroeconomic and microeconomic conditions, consumer behavior, demographics, and even weather patterns in the market.

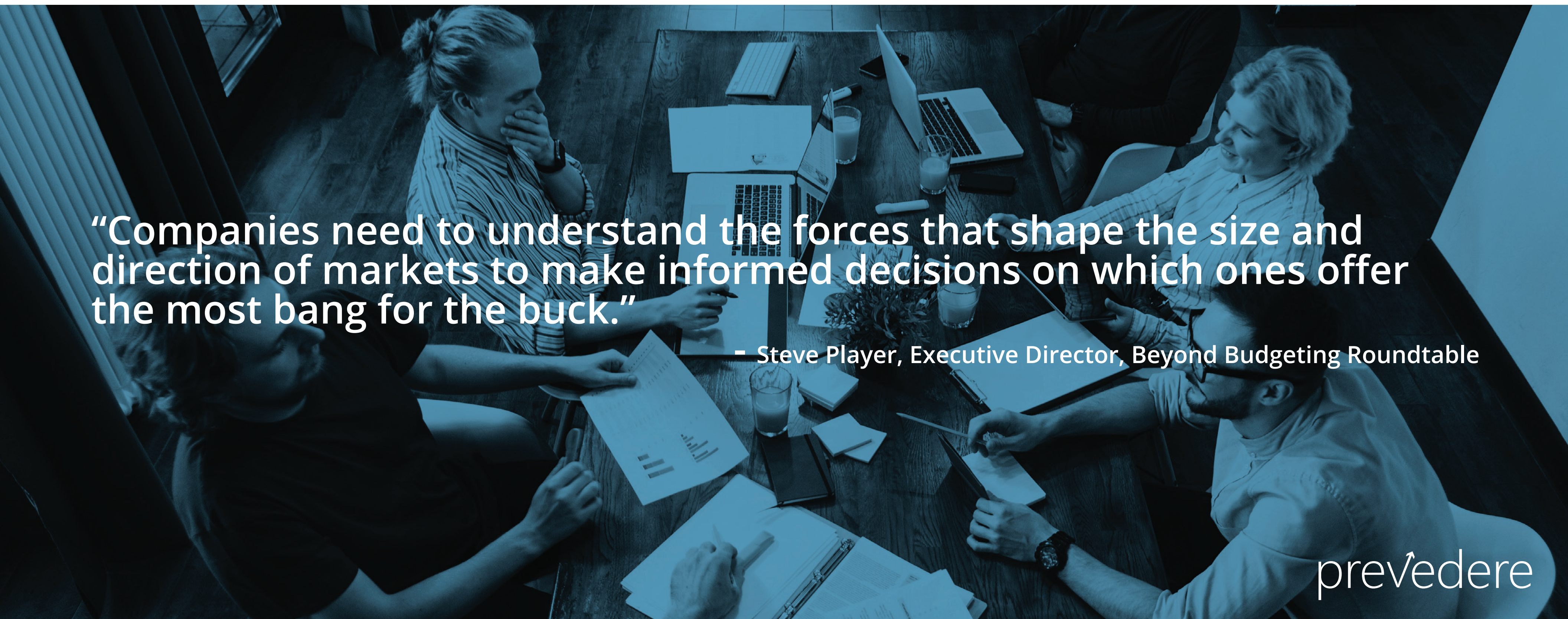


In the U.S., nearly 70% of the GDP is composed of what consumers spend

There are also intricate socioeconomic factors to consider in entering or exiting a market. For example, a new societal trend just beginning to take hold may affect the buying patterns of customers. Consumer spending is another issue that will shed light on whether or not the population in a particular country will have the means to buy what the business sells. In the U.S., for instance, nearly 70 percent of the GDP is composed of what consumers spend.

Not having a sense of how these various fac-tors may play out, relying exclusively on internal data to make market entry or exit decisions, is unwise in this era of fast-paced globalization.

"Organizations need to be able to access information on whether the customer popu-lation is growing or shrinking in a regional market, and how individual segments within these populations are changing," said Player. "Companies also need to know what is happen-ing with supply and demand for various com-modities to discern whether or not to stick with a current product or stay in a specific market."



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- Steve Player, Executive Director, Beyond Budgeting Roundtable

Swimming in a Sea of Data

This all sounds well and good, of course. The soulution, it would seem is to simply extract macroeconomic, consumer behavior, demographic and weather data from the Internet to make better market entry decisions. If it were only that easy!

The Internet is a vast ocean of evolving and often dubious data. Navigating uncertain streams of information to make more informed market decisions is a formidable challenge. Small wonder why many forecasts match actual performance.

"There is just so much noise out there in terms of data," said Gartner Research Vice President Doug Laney. **"Enterprises need to get their hands on the right exogenous data, but they need a way to filter out the noise. Algorithms are the answer and they're getting better all the time. But you need the right algorithms in the right forecasting tool to know when to stick with a particular product, improve upon it, or move on to another market category."**

The real solution is a forecasting tool that can sort through millions of exogenous data to find the leading market indicators—securing and analyzing pinpoint data that is congruent to a company's market decisions and prospects. There is tremendous enterprise value in having this in-formation on hand in real time to gauge performance in a particular market. “Companies using forecasting tools that make use of exogenous data outperform those that don’t,” Laney said.

In other words, making decisions on when to enter or exit a market based entirely on internal data is half the solution. As Laney points out, **“To better understand the marketplace, it is incumbent for organizations to look beyond their own four walls for data sources.”**

He makes an excellent point. By analyzing external data in combination with internal data, organizations can assess which markets are ripe and which have soured. This forward-looking view helps them avoid entering an emerging market too late, or staying in a declining market too long. Without such insight, companies are flying blind, unprepared to seize market opportunities or evade market risks.

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Why External Data is Vital

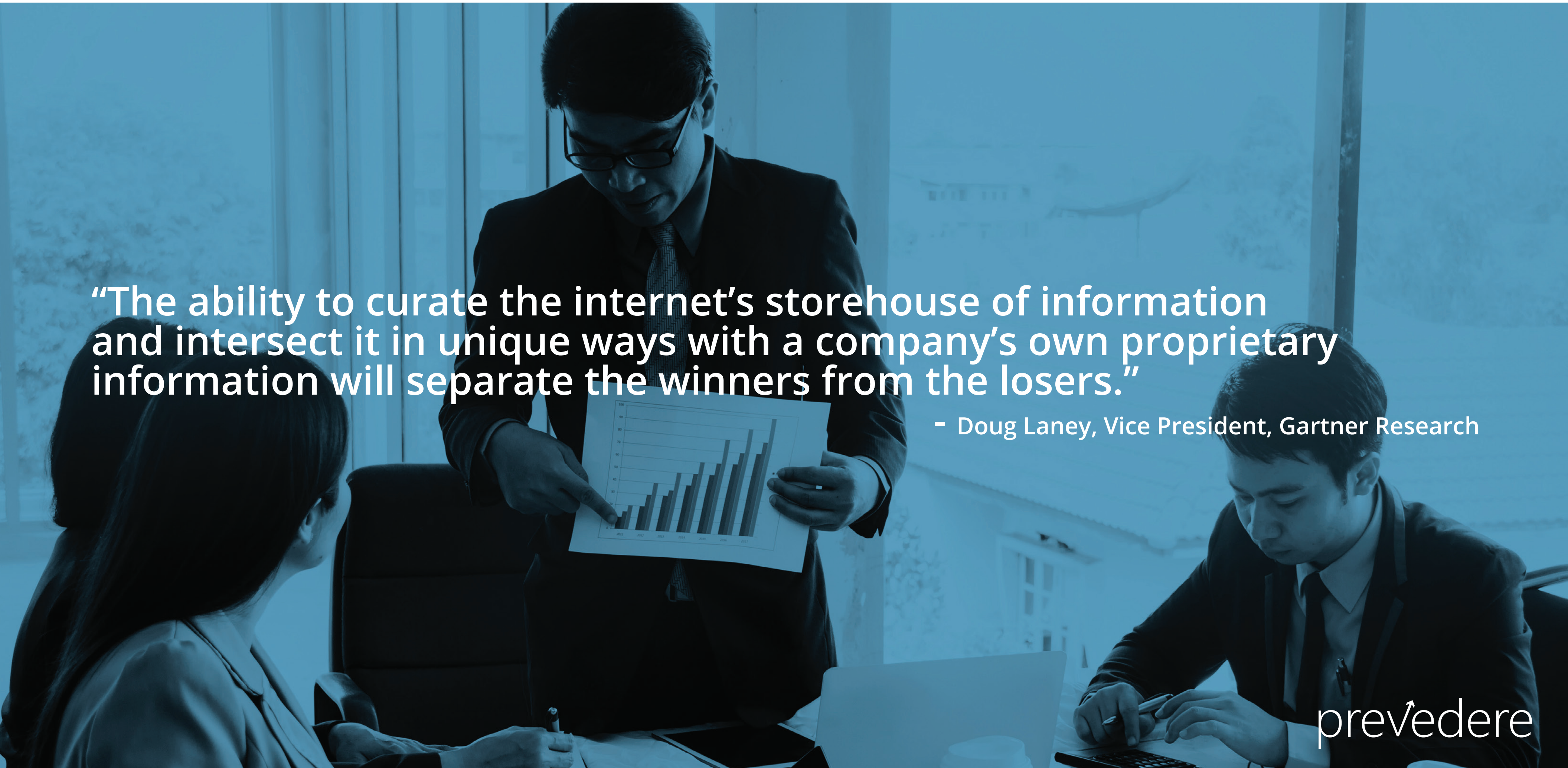
Great things can happen to a company, forecast-wise, when it marries its internal business data to external market information. A case in point is the online real estate firm Zillow. Since 2006, Zillow has published estimates (called Zestimates) of the market value of a home. At the time, the firm was limited in making its Zestimates to recent residential and commercial sales data in a community. This was the equivalent of making a forecast purely on internal data—half the solution.

In 2012, the issuance of an Executive Order by the White House to provide a treasure trove of U.S. government information like census and permit data to private companies profoundly altered Zillow's forecasting capabilities. The Executive Order also required that this information be presented in real time to private enterprises in an easily accessible and understandable format. Previously, this data was unformatted and unstructured, not to mention out of date.

Zillow developed a computer mode applying 1.25 million statistical analyses to the external data using algorithms to forecast real estate market values. The result—the company nearly halved its median error rate of a home's final sale price from 13.6 percent to 6.9 percent. That's the power of exogenous data.

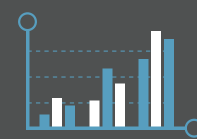
All organizations can achieve similar results, combining their internal sales and financial data with exogenous data to discern market opportunities and risks. **To do this—to make better market forecasts—they need to invest in sophisticated forecasting software that can ferret out the truly insightful bits of external data from the massive storehouse that is the Internet.**

As Laney noted, “The ability to curate the Internet’s storehouse of information and intersect it in unique ways with a company’s own proprietary information will separate the winners from the losers.”



Prevedere is an industry insights and predictive analytics company helping business leaders make better decisions by providing a real-time view of their company's future.

Machine learning
+ human intelligence



Internal data
+ external leading indicators

Strategic planning
+ daily decision making

Prevedere's ERIN (External Real-Time Insights) engine is the first analysis solution that intelligently monitors external economic and consumer activity and notifies business leaders of future impact on performance. Powered by a combination of human intelligence and machine learning, ERIN propels enterprise executives, sales, marketing, finance and operational leaders with future-focused insights delivered at the speed of business. The first cognitive computing engine of its kind, ERIN determines the best combination of leading indicators, out of millions of possible choices, to develop actionable insights easily consumed by business leaders, creating unprecedented business advantage.

This is the future of business intelligence.

To see how Prevedere's real-time insights can augment your existing analytics team and tools to improve your business performance, contact us for an assessment at inquiries@prevedere.com or call 888-686-7746

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