7 Reasons Predictive Analytics Is Right For Your Organization

In a virtual Town Hall hosted by Eric Wilson and the Institute of Business Forecasting & Planning (IBF), Fazlur Rahman, Senior Manager, Global IBP and Demand Planning with Kraft Heinz, Patrick Bower, Supply Chain Executive, and Rich Wagner, CEO of Prevedere, discussed the merits and relevance of predictive analytics and Intelligent Forecasting in today's and tomorrow's demand planning environments. **The following are seven key takeaways from that discussion.**

Number One

1

There is a paradigm shift in traditional planning

In recent years there has been a clear evolution in business planning. Patrick Bower defines this shift in demand planning as a movement into "a more quantitative and less judgmental space," meaning planning will rely more on statistical models and less on assumptions or intuition alone. Fazlur Rahman agreed and explained that "there is a huge shift going on from traditional demand planning towards intelligent forecasting as well as more into intelligent business branding." As the world of business planning evolves, Intelligent Forecasting practices are quickly becoming the new standard.

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2

Intelligent Forecasting captures the power of external signals

One of the most significant impacts of the pandemic on business planning was the widespread realization of just how many external factors can affect business performance and planning. As Wagner explains, "it's not just what you do internally... but it's consumer behavior, it's economic conditions, it's climate, now supply chain issues. All these things are outside your four walls, and we weren't doing anything to systematically and repeatedly collect them." Now, Intelligent Forecasting platforms, such as Prevedere's, provide businesses the tools and technical capacity to capture the bigger picture of external factors. The result is a more accurate, more reliable, and more relevant forecasting model.

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Intelligent Forecasting is not a replacement, but an extension

The shift towards Intelligent Forecasting does not mean replacing existing planning models but rather leveraging them in a new way. Intelligent Forecasting is best used as an extension of a business's current model. As Rich Wagner explains, "it's all cloud-based, so there's no new hardware...we can connect right into your current planning tool." Historical demand and financial performance are still critical aspects of business planning. Rich continues, "we don't want to replace that effort but to add a line item that says, here are your external variables and what they're telling you about your demand forecast."

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Number Four

4

The best forecasts have a balance of external and internal data

While external data is essential to building more accurate forecasts, a truly holistic forecast will integrate the power of external data with the expertise and knowledge of the internal team. Successful business planning involves leveraging and integrating every relevant data point to create a cohesive picture. The combination of internal and external data is a critical piece in this process. Wagner suggests that a "forecast shouldn't be just one thing versus another; for us, it's an ingredient."

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5

Predictive analytics is all about more intimacy and more detail

As Bower says, "one of the benefits of using Prevedere's type of tool is that it helped us become more intimate with our consumer." Successful business planning goes deeper than capturing significant trends alone like GDP or other broad economic indicators and digs into company-specific, regional, and microeconomic indicators to provide the most accurate and reliable forecast. Bower continues to say that he is "always about customer intimacy, item intimacy, really understanding that at a detail level. This added another layer. It's almost like a market economic intimacy about your demand curve that was previously unstated."

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Systematic predictive analytics is critical in identifying external leading indicators

One of the most significant challenges to business planning from the pandemic was how quickly the business environment changed. Leading indicators have long been an essential component of business planning. Still, according to Wagner, because of the pandemic, "all of a sudden lead times shifted to zero because we had forced behaviors... Lead time this year has been unique, but it's coming back, and we're finding those clues of when certain markets are recovering."

The pandemic escalated a shift in looking at external variables. According to Rahman, "[COVID] drove the need for transformation in this particular venture... because previously you could run specific businesses with little-to-no outside intelligence. Those stable businesses no longer exist."

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Number Seven

7

Leveraging the power of predictive analytics is key as businesses move into the post-pandemic environment

As we head into a new, post-pandemic normal, the future is still largely unknown. Businesses are still facing massive amounts of uncertainty, and the reality of the new normal is undefined. As Rahman explains, "all those stable businesses no longer exist. Consumer behavior has changed so much, and nobody can come up with a very good assumption on the new normal as well." Moving forward, the only thing that businesses can control is their own business planning methods. As the new normal begins to take shape, it's clear that those that invest in predictive analytics will be best prepared to face the uncertainty.

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The Intelligent Forecasting process creates AI-sourced predictions and specific economic outlooks for business, whether at total organization, country, division, brand, channel, category, or product levels. Repeatable and systematic modeling is central to the prediction process, a proven and accurate method with no room for guesswork, gut feel, or bias.

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