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Case Study | Improving Forecast Accuracy with Prevedere Software

ADS

A privately held company that manufactures products for stormwater management and sanitary sewer applications – the largest of its type in the world – ADS has recently adopted a new system to help support decision-making for senior executives, by merging internal data with external indicators to strip out forecast bias.

About ADS

- Headquartered in Hilliard, Oh
- Privately held by American Securities
- Thousands of customers
- 60+ global locations

Business Needs

- Key external drivers for each industry served
- Forecast at the country, state and product level
- Consistent and timely external data
- Automated and repeatable process

Approach

- Interview business decision makers
- Consolidate external data
- Cause-and-effect analysis
- Web application installation

Benefits

- Reduced analysis time from weeks to hours
- Identified global growth opportunities
- Consistent and timey reports
- Quickly identifies problem areas
- Improved Forecast Accuracy

Current Situation

Ohio-based ADS began a project to improve its sales and operations planning process about a year ago, with a cross-functional team of 6-7 people, from operations, sales, and marketing. The idea was to improve the way the company does its planning, budgeting and forecasting by injecting real world indicators into its process. “The Sales and operation process starts with good forecasting and being able to predict what the business is going to do,” said Mike Higgins, Manager-Sales Analysis & Strategy at ADS.

The Forecasting model

ADS views its planning model as a three legged stool:

An Oracle ERP company, the first leg of that model is composed of the “actuals” pulled out of the ERP to measure sales and operational activity on a historic basis, to look for seasonality and other trends that show over time. That information is resident in Oracle and is pulled into an excel spreadsheet. “We look at how sales and order activity is performing currently, match that with a five year historic trend of the seasonality of the business on a month-to-month basis, and produce a rolling twelve month forecast,” said Higgins.

The second leg is more subjective. “We seek input from our sales managers, based on what they know and data from field intelligence about different types of business activity,” Higgins explained. “We ask them: What’s the banter, the trends in their markets.” That’s based on subjective input. The information is collected monthly and provides another input for the twelve month forecast. “That information supplements the objective data coming out of Oracle.” Both the objective and subjective data are imported into an excel spreadsheet.

The third leg is a new predictive analytics system from Prevedere, Inc. a Dublin, Ohio based predictive analytics software company. The Prevedere cloud-delivered system allows ADS to mesh its internal data with external data collected automatically based on key drivers for its business. In the case of this company, a lot of those indicators are construction related, like housing starts, transportation construction spending etc. “We were looking to tie in economic indicators,” said Higgins. “That’s the piece we were missing.”

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Benefits

"Could we have gone out and done that independently?" Higgins noted. The answer is yes but the company runs a very lean operation and the process would be labor intensive and creating the automatic links into its model would be hard. "Basically if you look at the US Census site for construction indicators, those are the ones that drive our business," Higgins explained.

Instead, Prevedere does all the "heavy lifting," according to Higgins. It automatically uploads all the key drivers into its systems. The system went live in January of 2013. It took 6-8 weeks to implement. "It's a web based system that's very easy for business people to use," he said. "You don't have to be a 'techy' to use it." The recommendation came through one of the internal contacts and the company was happy to support a local business. Since ADS began to use the external data to supplement its own forecast. "We've had great success with its accuracy," Higgins reports.

Supporting better conversations

"The important thing is that we have been driving to strip bias out of the forecasting process," Higgins explained. "It allows us to take out the unbridled optimism," he said. "You might not like what it says, but it's accurate. At least we found it to be accurate."

The new information helps drive better conversations with senior executives about planning. "It allows us to have conversations around the business, not arguing about the numbers." With the new intelligence gathered and meshed with their internal data, the focus becomes on "what we can do to adjust to the changing business conditions," Higgins explained. "If the forecast is for sales to be at levels we're not happy with, we can talk about what we can do in the short- and long-term to improve it." If, on the other hand, the forecast exceeds internal expectations, it sparks a conversation about staffing and resources in order to prepare for higher levels of business activity. "We have better business conversations," he said.

There's been a lot of talk about the big data revolution, according to Higgins. If it's not being put to a solid business purpose it's a waste. "You have to act on it." He's recently had a conversation with another professional at another firm that has been using advanced statistical modeling to crunch big data. But when he asked what the company is doing with the information, he found it wasn't yet putting it to business use. "What's the point?" he said. "The question is – what are you doing with it?"

-Mike Higgins, Manager Sales Analysis and Market Strategy

About Prevedére

Prevedére provides intuitive web based predictive analytics software for key Business Decision Makers in Sales & Marketing, Finance, Procurement and Strategy. Prevedére's powerful predictive analytics solution is simple to implement, simple to use and simple to maintain. We bring value to companies by providing new, better and faster information for forecasting and planning to mid-large enterprise customers across multiple industries.

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