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5 Requirements

for planning and forecasting in the COVID-era economy

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New Economic Norms

1. A complex uneven market
2. Continued volatility
3. Significant Unknowns

COVID Era Forecasting

The Post-COVID Economy - Planning for 2022

After the last year and a half, market volatility and uneven shifts have become commonplace. Yet overall, both the U.S. economy and the global economy have displayed healthy growth.

But, that tells very little about business planning going forward.

Businesses saw firsthand the stark contrasts between industries last year during the pandemic - think of the difference between how airlines fared versus the revenue generated by grocery chains. Just because the economy is reopened, doesn't mean that everything is going back to pre-pandemic normal. This adds significant complexity for building accurate forecasts within the current market.

At the same time, businesses still face significant unknowns.

When planning for 2022 and beyond, businesses cannot compare to previous years. The current environment is somewhere between "normal" and "pandemic". Between the uneven markets and the always-changing economic environment, planning for 2022 will continue to be unprecedented, even compared to 2020 or 2021.

While some businesses would like to think that everything will return to 2019 pre-pandemic normal, the post-COVID environment will likely never be truly the same. On the other hand, businesses that experienced growth in 2020 might like the market to continue the same way. In reality, the economy will likely operate in some middle ground between the two.

Moving forward, there will continue to be uneven markets and quickly shifting environments. We cannot assume that the same behaviors and trends of the last few years will continue in the exact same ways.

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5 Foundational Requirements

for enabling strategic planning and forecasting within the intelligent enterprise

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DATA

Data serves as the foundation for any predictive model. As such, businesses need to have access to the right external data to build the most accurate, reliable, and robust predictive models for their business. This includes millions of global data series from public and private sources across the world as well as from data sources related to markets, industry, weather, trade policy, geopolitics, Macroeconomics, consumer behavior, and more. Without enough data to provide a holistic view of global, regional, and local economies, key correlations can be easily missed.

In addition to accessing the right external data, companies must have the ability to collect, implement and analyze it in real-time. As markets change and consumer behavior shifts, predictive models need the most up-to-date data to deliver information with the highest level of accuracy. As such, companies need to have an automated process that can systematically integrate new data as it is released. Otherwise, business leaders will end up with outdated data in the moments when they need it most.

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LAYER AND ALIGN DATA

Too often, companies will keep their internal data and external data separate resulting in the external data becoming a “benchmark” rather than an essential aspect of their predictive model. Businesses need to have the technology and tools to accurately layer and align millions of external data sources against internal historic sales data.

It’s not just about having the right technology platform, but also about the right business approach and process. This means taking an unbiased approach, without an initial hypothesis prior to layering any data. Most of the time, businesses are taught to always start with a hypothesis. But, in this case, starting the process with predetermined assumptions only limits a business’ ability to uncover previously unknown opportunities. Layering external and internal data will help identify a multitude of correlations.

VALIDATE

Once the data is layered and correlations between historic sales and external market trends are identified, the results must be reviewed holistically. Specifically, businesses should leverage industry and economic expertise to validate:

1. Relevance of data correlations to the specific business
2. Key business drivers
3. Plausible potential scenarios

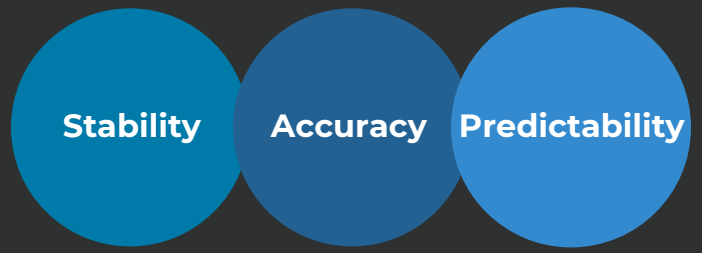
In reality, some of the correlations that come to the forefront in the layering process are coincidental or irrelevant to that company. All correlations should be reviewed by experts with significant industry knowledge and economic experience to determine which correlations are relevant and need to be examined versus which should be disregarded.

Once the relevant correlations are identified, they will unveil the key business drivers that will be the basis of the forecasting models. In this stage, it is also important to determine plausible potential scenarios that companies should plan for. These decisions will have the greatest impact on how many and which predictive models the company will need to build.

PREDICTIVE MODELS

Strategic planning is all about building predictive models that reliably project market trends and business impact. This is done through econometric modeling, which leverages external data that has been identified as key business drivers to accurately forecast the impact of upcoming market shifts. This is the methodology that drives Intelligent Forecasting.

Before implementation, every model needs to be tested and scored for stability, accuracy, and predictability. Companies need to have a standardized scoring structure and process that benchmarks these three key areas within every model before it is integrated into the forecasting and business planning processes. Only the models with the highest scores should be used.



INTEGRATION & IMPLEMENTATION

Intelligent forecasting means not only building forecasts but being able to continually track the results so that they can be integrated into all areas of a business. Having insight into current or upcoming market trends is only useful if there is an actionable output that drives business growth.

The most seamless approach is to implement predictive models and forecasting solutions directly into a company's current technology stack. Proper integration into the business process is a critical step to ensuring newly updated forecasts can reach the decision-makers as quickly as possible.

Insights produced by predictive models should be used not only to identify new revenue streams or customers but in all business decisions. Intelligent forecasting can help guide any decision from where to open new stores and merchandising inventory to pricing strategies and marketing campaigns.

Key insights should be used to support executives in making decisive, sometimes bold, decisions within their organizations in order to adjust to changing conditions.

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You've got the 5 foundational requirements, now what?

Agile & Iterative Scaling

Predictive modeling and forecasting is not an annual event. In times of market volatility, the frequency needed to make strategic adjustments or pivots only increases. Companies must adopt a systematic process for analyzing new data and using it to drive decisions. This includes implementing an ongoing, iterative process that alerts business leaders to changing market trends in real-time.

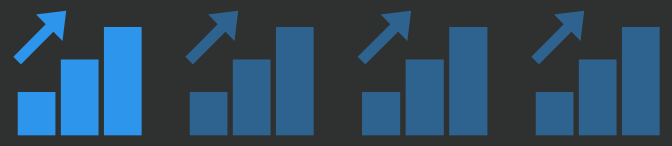
When the data provides new insights, strategies must evolve as well. Being agile is essential during times of volatility. A strong organization needs to identify market changes and economic indicators and adjust quickly and accordingly. In times of volatility, speed often drives a company's success.

It is important to map the relevancy of each predictive model to every division and business unit. Then, create processes that allow business leaders across an organization to easily access the data that is appropriate for their needs.

Proper Maintenance

Predictive models don't live forever. In fact, the lifespan of a model can range from 3 months to 10 years, based on changes in market conditions.

Once a quarter, companies should conduct stress tests for every model to ensure the health and reliability of predictive models.



On average, if a business has 4 models, one out of every 4 models will need some sort of adjustment over the course of 3 months.

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Be prepared for what's next with Prevedere

Navigate the increasingly uncertain COVID economy with predictive analytics and intelligent forecasting.

We help companies plan and forecast more intelligently in this new world.

We would love to talk with you about adding predictive AI and economic intelligence to your business to plan for what's next.

For more information, please contact
(888) 686-7746 or inquiries@prevedere.com

We help you plan with confidence.

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