EyeOn product
fast scan equipment forecasting

Forecasting demand for Low Volume – High Complexity products

Forecasting and planning are an important part of any business process. Accurate forecasts drive decisions and help managers to develop strategies, identify priorities and to allocate resources. This especially holds for companies selling and producing low volume – high complexity products like industrial tools and equipment, food processing equipment, ships, cranes or construction equipment. A high quality forecast drives the availability of critical items and scarce manufacturing, engineering, service and installation capacity.

Forecasting demand

In a low volume – high complexity environment, future demand is highly dependent on the quantity and maturity of opportunities, and the effectiveness of sales in converting these opportunities into orders. The sales success depends on elements like technology, large dollar value with associated financing, logistics, competitor offering or a combination of these factors. The likelihood of scoring the order is different progressing in each stage of the sales funnel.

A high quality forecast combines insights from historical sales, sales funnel information and the account managers insights.
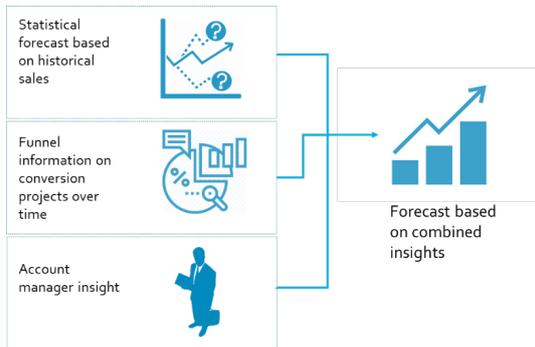
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Figure 1: Input for a high-quality forecast.

Figure 2: Example improved accuracy.

Applying data science techniques to analyse the historical sales funnel development delivers probabilities that are used to translate the current funnel information into forecast values.

- The probability that a project will materialize depends on several factors such as region, product category and/ or account manager. E.g. Based on history we know that when a sales project is in the finalizing stage the probability is 0.45 for Europe and 0.23 for Latin America.
- Not only probability changes but also the likelihood of the order being placed in the month as indicated in the funnel changes. E.g. CRM indicates that the delivery will be November next year. But history shows that the likelihood of that happening is only 30% for November, 20% for October, 30% in December.

The model to create a forecast using actual CRM funnel information uses the probability per stage gate and the likelihood of month – phased staging.

Results
Combining the three inputs into one single forecast has given remarkable results. In general the forecast accuracy based on only:

- The account managers input is 35%.
- Applying basic statistics (time series) is 40%.
- Advanced statistics using adapted funnel information is 55%.

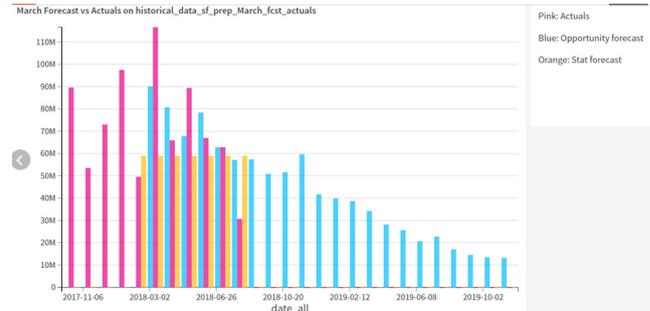Effective enrichment can even further increase this accuracy.

How can we help?
Are you looking for ways to improve forecast accuracy? A practical way to start is to execute a forecast assessment, to give you a first insight into the characteristics and forecast-ability of your business product portfolio. The scan provides an underpinned insight into the maximum forecast accuracy that can be reached and the improvement potential versus current forecasting performance. Moreover, the Fast Forecast Scan will support you to quantify potential service level improvement, inventory reductions as well as efficiency gains in your forecasting process. In summary, results include:

- Structured insight into demand behavior based on analytics insights.
- Maximum forecast accuracy that can be reached using statistical forecasting.
- Benchmark maximum forecast accuracy with the current forecast performance.

The Fast Forecast Scan delivers fact-based results and uses EyeOn's extensive experience in benchmarking of forecasting and demand management processes. Practice has shown that we often realize a significant increase in forecast accuracy, helping you to build a strong business case for improving your demand planning process.

Interested?
You can contact Freek at freek.aertsen@eyeon.nl for more information or to make an appointment.

Our promise
We implement proven innovations to raise your forecasting and planning performance.
We work in the most pragmatic way possible, based on our knowledge and experience in over hundred large, international companies. We develop and implement the best fit-for-purpose improvements with real impact.