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Introduction

… to the metric **Forecast Value Added -FVA** and the web-application

Forecast Value Added

A simple metric that measures **the efficiency of the forecasting process** by assessing the efficiency of each step.

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Forecasting map-out

Data Preparation → Statistical and Baseline Forecast Creation → Sales review → Consensus review

Statistical and Baseline Forecast Creation

- Statistical model helps identify the baseline forecast
- un-campaigned forecast

Sales review

- Sales forecast driven by incentives
- Customer knowledge
- Collect the « voice of the customer »

Consensus review

- S&OP process
- Agreed forecast
- Budget related

Forecasting Process

- With the exception of the initial Data Preparation stage, the forecast is changed at every stage of the process. So, the forecast that is created in Step 2 (Statistical Forecast) may be different from Final forecast agreed in Consensus Review.

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Forecasting Process

- Forecasting is a significant consumer of management time, yet it's also a significant waste of management time if those efforts are not making the forecast any better

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Forecast Value Added

The output of the forecasting process is like a multi-layer cake.
MAPE tells you the taste of a layer.
FVA identifies the more tasteful layer of the cake.

- Traditional forecasting performance metrics, such as Mean Absolute Percent Error (MAPE), tell you the size of your forecast error.
- FVA is defined as "The change in a performance metric that can be attributed to a particular step or participant in the forecasting process."

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The taste of each layer of the cake is compared to the naïve flavour of a slice of bread.

Naïve Forecast

- A naïve forecast is something simple to compute, requiring a minimum amount of resources. The key is something simple, and traditional examples are random walk (no change from the prior period where the last observed value becomes the forecast for the current period), or seasonal random walk (“year over year” using the observed value from the prior year’s same period as the forecast for the current period).

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WEB APPLICATION

A user-friendly web-based application that enables companies to **improve their forecast process** at **low cost.**

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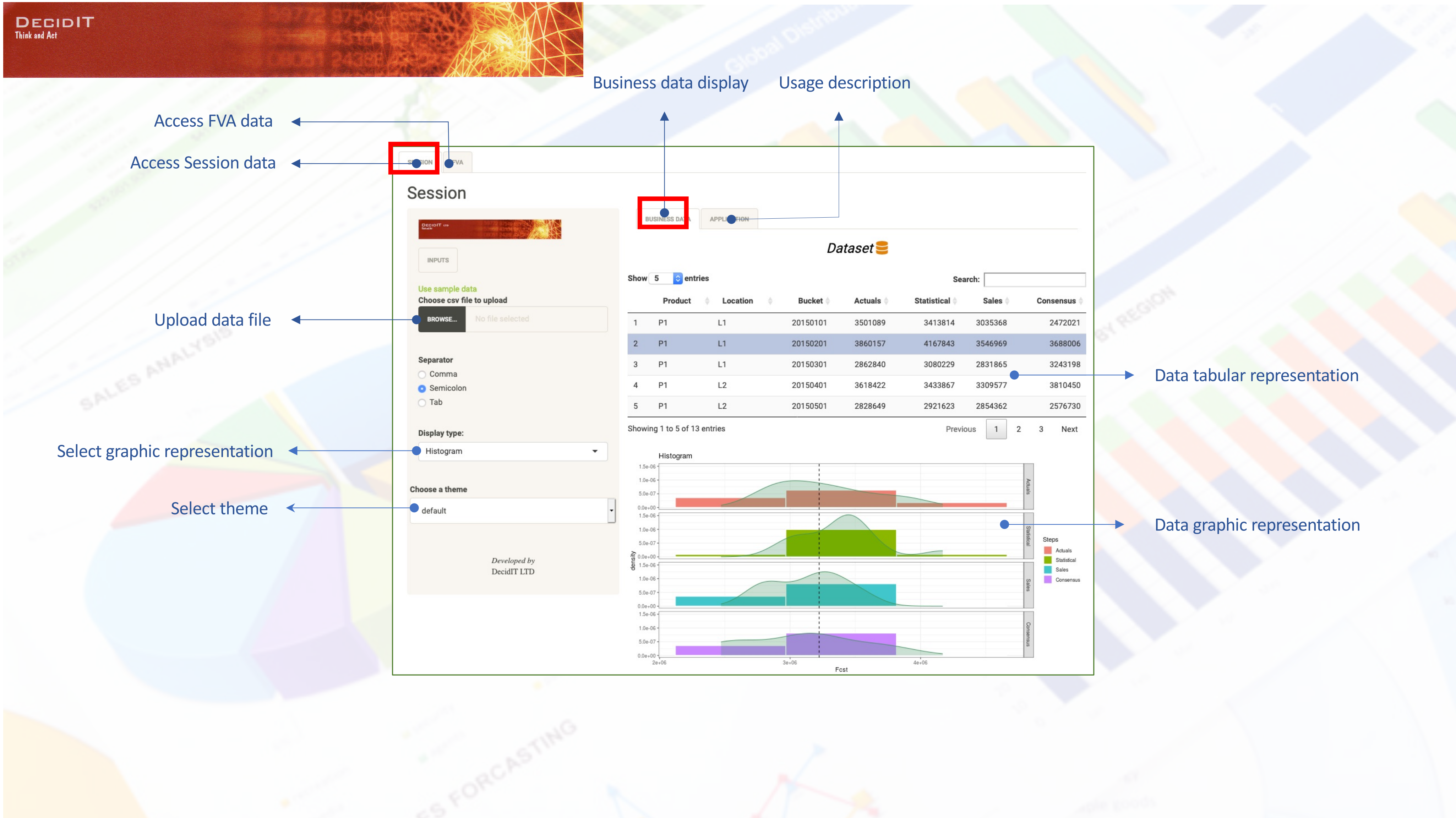
This web-application will probably be helpful if you:

- are the president, chief executive or general manager of a business that makes products and you see a major gap between your Sales folks and those in production.
- work in Sales or Marketing and continually get pointing out for bad forecasts.
- work in operation and feel that sales forecasts you get are really awful.
- believe that, with better forecasts, your company could do a better job of shipping customer orders quickly, complete and on time.
- believe that, with better forecasts, your company could do a much better job of anticipating financial surprises.
- are considering buying new forecasting software

Business Stakes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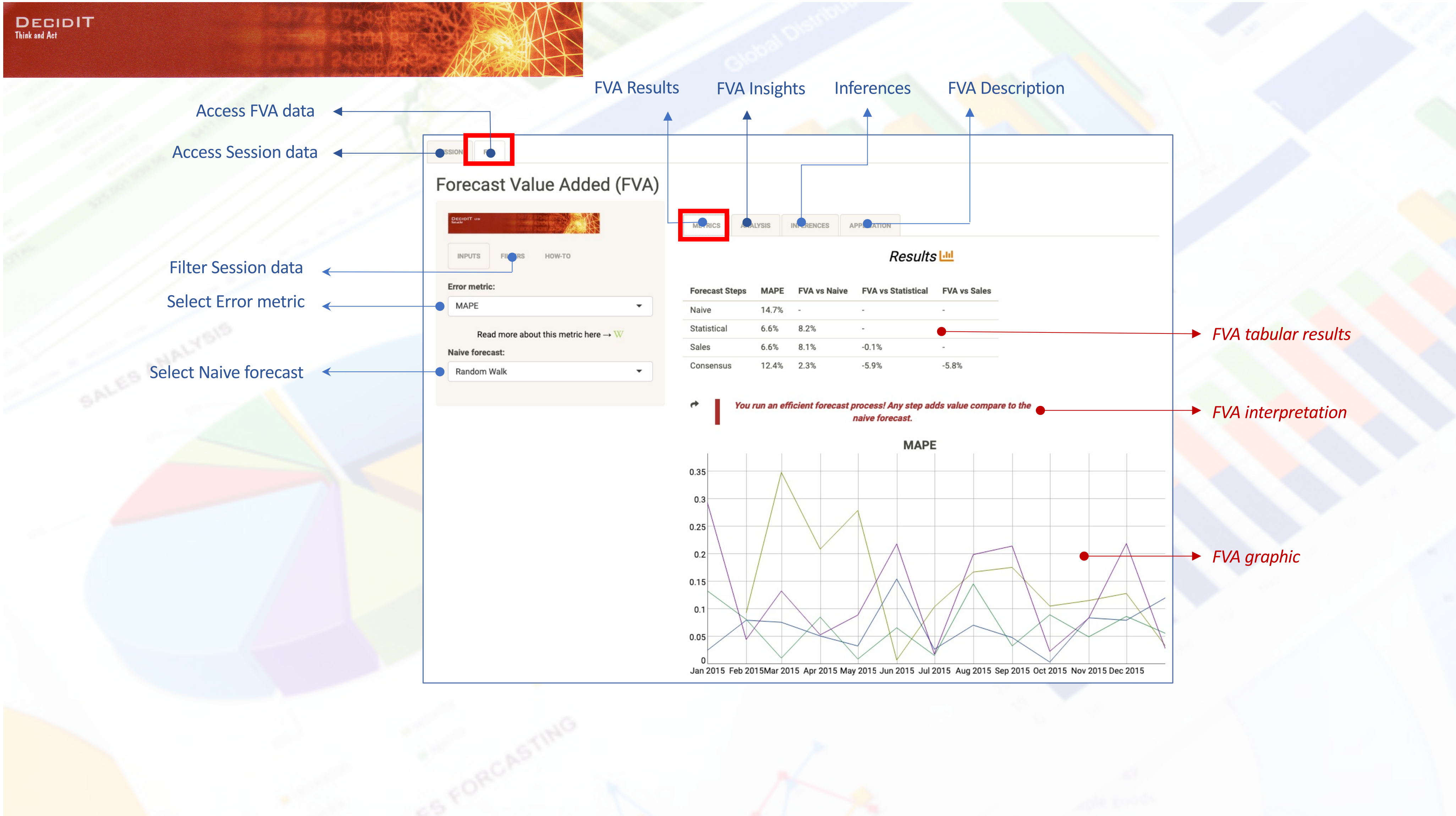
Business data display
Usage description
Access FVA data
Access Session data
Upload data file
Select graphic representation
Select theme
Data tabular representation
Data graphic representation
Session
INPUTS
Use sample data
Choose csv file to upload
BROWSE...
No file selected
Separator
Comma
Semicolon
Tab
Display type:
Histogram
Choose a theme
default
Developed by
DecidIT LTD
Dataset
Show 5 entries
Search:
Product Location Bucket Actuals Statistical Sales Consensus
1 P1 L1 20150101 3501089 3413814 3035368 2472021
2 P1 L1 20150201 3860157 4167843 3546969 3688006
3 P1 L1 20150301 2862840 3080229 2831865 3243198
4 P1 L2 20150401 3618422 3433867 3309577 3810450
5 P1 L2 20150501 2828649 2921623 2854362 2576730
Showing 1 to 5 of 13 entries
Previous 1 2 3 Next
Histogram
Steps
Actuals
Statistical
Sales
Consensus
density
Fcst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FVA Results
FVA Insights
Inferences
FVA Description
Access FVA data
Access Session data
Forecast Value Added (FVA)
INPUTS
HOW-TO
Filter Session data
Select Error metric
Error metric:
MAPE
Read more about this metric here →
Naive forecast:
Select Naive forecast
Random Walk
Results
Forecast Steps | MAPE | FVA vs Naive | FVA vs Statistical | FVA vs Sales
Naive | 14.7% | - | - | -
Statistical | 6.6% | 8.2% | - | -
Sales | 6.6% | 8.1% | -0.1% | -
Consensus | 12.4% | 2.3% | -5.9% | -5.8%
FVA tabular results
You run an efficient forecast process! Any step adds value compare to the naive forecast.
FVA interpretation
MAPE
0.35
0.3
0.25
0.2
0.15
0.1
0.05
0
Jan 2015 Feb 2015 Mar 2015 Apr 2015 May 2015 Jun 2015 Jul 2015 Aug 2015 Sep 2015 Oct 2015 Nov 2015 Dec 2015
FVA graphic

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METRICS | ANALYSIS | INFERENCES | APPLICATION

Results

Forecast Steps	MAPE	FVA vs Naive	FVA vs Statistical	FVA vs Sales
Naive	14.7%	-	-	-
Statistical	6.6%	8.2%	-	-
Sales	6.6%	8.1%	-0.1%	-
Consensus	12.4%	2.3%	-5.9%	-5.8%

You run an efficient forecast process! Any step adds value compare to the naive forecast.

FVA can be either positive or negative, telling you wether your efforts are adding value by making the forecast better or wether you are making things worse.

Example

- MAPE errors are listed in the first column
- The statistical forecast add 8.2% value to the naïve forecast
- The consensus forecast add 2.3% value to the naïve forecast
- The consensus forecast remove 5.9% value to the statistical forecast.