What's new in forecasting software?

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2nd CMAF Friday Forecasting Talk

16th of October 2020

Marketing Analytics and Forecasting | Lancaster University Management School | UNIVERSITY of VIRGINIA | DARDEN SCHOOL of BUSINESS

The foundation of this talk

Available online for free - https://doi.org/10.1287/orms.2020.04.05

Background on the ORMS-Today survey

Longstanding biannual-survey

Chance for software vendors to present themselves to the OR-society for free

Aims to provide

- an overview on what is out there;
- sense the product functionality;
- and identify developments in the market.

What it does not provide

- No product assessment

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Chance for software vendors to pr_____s to the OR-society for fre___

Aims to provide

- an overview o___at is_____
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- and identify de_____s in th__

What it does not

- No product asses_____

Not "yet another ranking"

Data collection process

Major survey redesign

- Very valuable feedback from vendors on initial drafts

Survey covers a range of subjects including

- Data handling & connectivity
- Forecasting features
- Support & licensing
- Recent changes and future trends in the market

Identified and contacted 200+ forecasting vendors via e-mail or web form (full list in the online appendix)

32 forecasting products included to date

45% represent general-purpose forecasting software

- Remainder specialised software, e.g. on inventory management or energy forecasting

Adexa Predictive Analytics	Fuse Inventory	Prophecy
Alyuda Forecaster XL	FutureMargin	RastPro
Analytica	gretl	SAS Energy Forecasting
Arkieva	iData	SAS Forecast Server
Autobox	iqast forecast desktop/server	SAS Visual Forecasting
Azure Auto ML	Minitab Statistical Software	Optimact
Cognira Retail Science Platform	Nominator	Stata
Dataiku Data Science Studio	NumXL	Tangent Information Modeller
Evo	SigmaXL version 9	The Finished Goods Series
FC+	Optimal Economist	Unified Demand Forecasting
Forecast Pro	Optimal Scientist	

CURRENT STATE OF FORECASTING SOFTWARE

Changes in software built and distribution

Modular software design

- More flexible and customer oriented software design

- General-purpose becoming specialised software

Substantial increase in Software as a Service (SAAS)

- Easier to maintain (on both ends)

- Ability to scale infrastructure

- Downside: dependency from service provider

Changes in software built and distribution

High database connectivity in most solutions

- Local data warehouse, Big Data frameworks (e.g. SPARK or Hadoop) or cloud data centers (Google BigQuery)
- More support for open data-formats
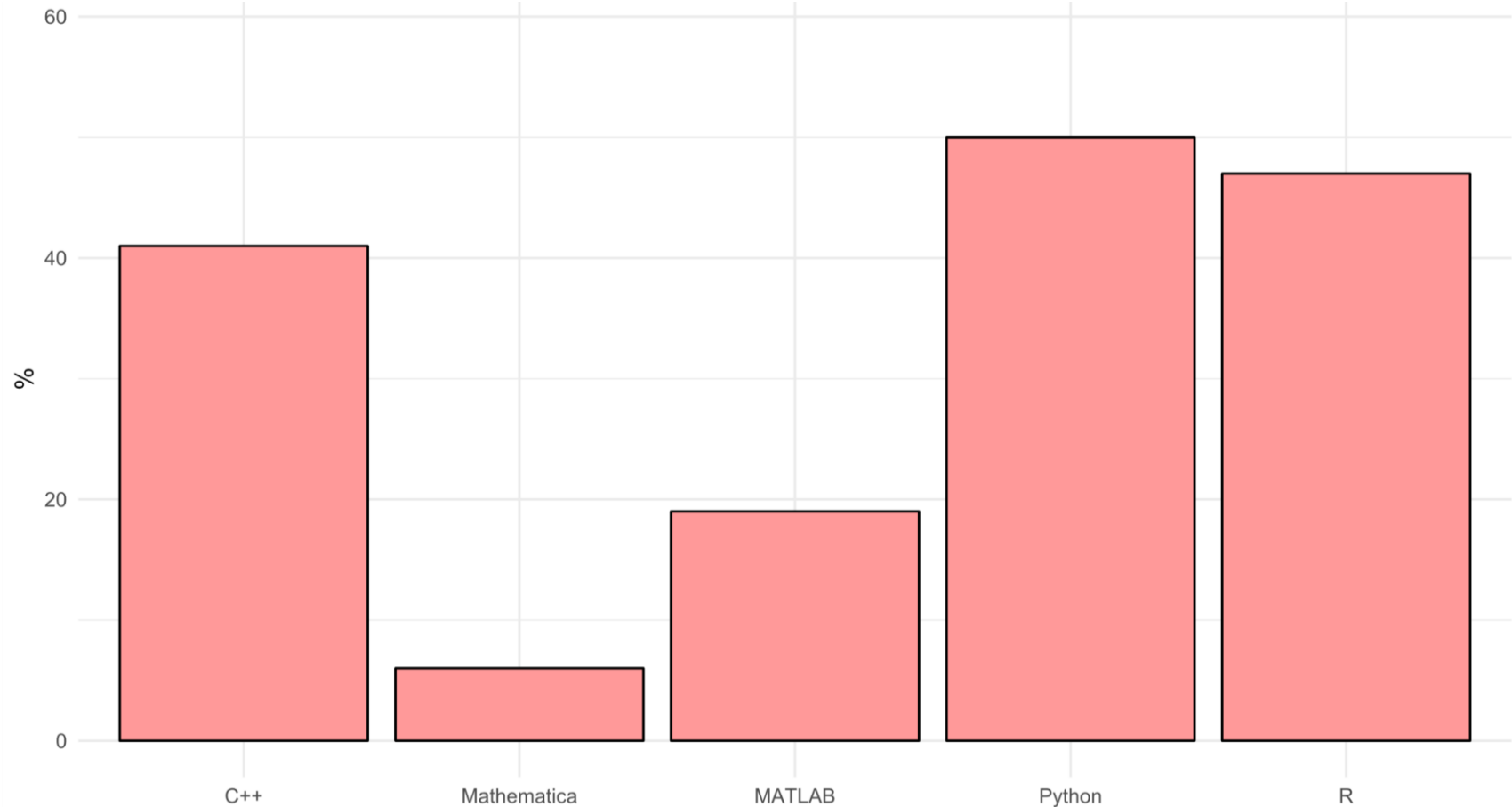
Two-third of software integrate with ERP systems

Focus of updates outside forecasting algorithms

- Collaborative features
- Graphical user interface improvements (e.g. Code editor & Data visualization)

Software became multilingual

Integration with other programming languages

- Enables access to a larger pool of algorithms

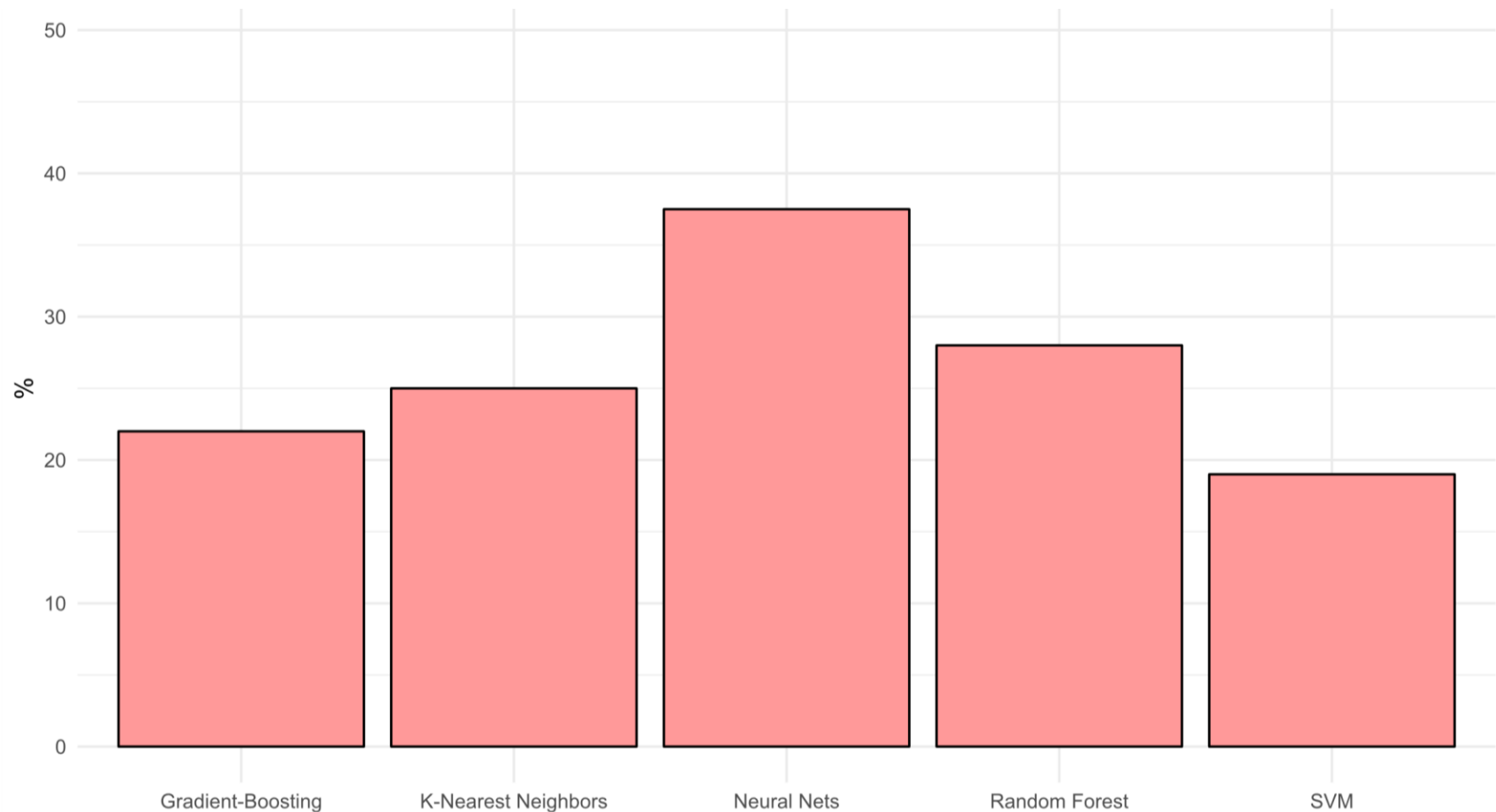# Out-of-the-box forecasting functionality

Most software solutions support

- standard univariate time-series methods, e.g. ARIMA or exponential smoothing

- Multiple linear regression

Two-third of the products allow

- ad-hoc judgmental adjustments

- New product forecasting

Out-of-the-box forecasting functionality

Increase in availability of ML and AI algorithms

What is missing in forecasting functionality?

Forecast evaluation remains a problem area

- Rolling evaluation is not available in 1/3- of solutions

- Only about half of the solutions include a Random Walk

- 1 in 3 products do not track statistical forecasts and expert corrections

What is missing in forecasting functionality?

Algorithms

- Absence of LASSO and other regularization techniques
- Some inventory management software lack the support of certain distributions suited for intermittent demand

Specialised time-series visualisation not available but often covered in external software

Where else does forecasting software differ?

Functionality to support data protection law regulations (GDPR etc.) not available widely

Only half of the responses included details on cloud quality standards

- Uptime, IT security and accessibility standards

Training and support

- Free support limited

- Basic support vs. in-house forecasting experts

- Service Level Agreement up to Forecast as a Service

Summary on survey

Traditional forecasting USP are disappearing

- More flexible software design
- Increase in data connectivity and software integration
- Integration of open-source software

Higher weight on traditional IT factors

- Service level agreement and data security
- Price

Soft factors

- Technical support & training
- Look and feel?

THE FUTURE OF FORECASTING SOFTWARE

The role of the customer in software development

Often new algorithms get only implemented if there is substantial demand for it

- Competition results generate a buzz → LightGBM
- Open-source packages can popularize new algorithms

In some cases users seem to be reluctant to adopt certain features, e.g. confidence intervals

In addition, industry collaborations with academia as a route to develop new forecasting methods

Future trends to impact software market

Impact of Big Data

- Increase in volume and velocity propels automation
- Allows estimating more complex product interactions

Impact of COVID-19

- Ability to apply judgmental interventions
- Automated anomaly detection

More machine learning and AI

- M5 and other Kaggle competitions
- Increased interest to incorporate leading indicators

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DECIDING ON THE RIGHT FORECASTING SOFTWARE

How to select your forecasting software?

Determine forecasting needs

- Type of time-series (e.g. intermittent demand, new products, leading indicators)
- Volume and frequency of forecasts
- In-house forecasting knowledge vs. training needs

Platform needs

- Integration with ERP and data warehouse?
- Are there specific security requirements?

License preference

- Software as a service vs local installation

How to select your forecasting software?

Last but not least, test before you buy:

- Benchmark new solution against previous forecasting process with own data and standard forecasting approaches (advertising alert: CMAF is also happy to support this process)

- Look and feel (ideally evaluated by the end-users)

- Assess documentation quality and support options

Thank You!

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