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# The Forecasting (and Analysis) Challenge Faced by Companies Today

Forecasting is critical for companies to optimize inventory, manage budgets and make smart business decisions, yet many companies struggle with this function. In this quick guide, learn common forecasting challenges and strategies to improve.

## Common Forecasting Challenges

Though many factors contribute to forecasting challenges, the following are the most commonly seen within manufacturing and distribution companies.



### Disjointed data

Bad and disparate data make accurate forecasting nearly impossible. Scrubbing the data itself is usually the first step, but the more complex problem many organizations face is a lack of data access and organization. The planner or business analyst must pull data from various locations and organize it, often using Excel spreadsheets. This process is extremely time-consuming and a spreadsheet makes it very difficult to organize and analyze all that disparate data. As a result, leaders have no visibility into spending, inventory positions, sales trends and budget targets.



### Siloed teams

Departments often house data and make decisions in a silo, without the benefit of comprehensive data sharing and analysis. This leads everyone to spend more money on people and inventory, leaving less to spend on other business priorities. A typical example is the relationship between the Planning and IT functions. They must work together for effective data analysis, but they struggle to communicate or understand the other's needs and capabilities, so neither can get the best result out of the other.



### Lack of knowledge

Organizations often implement an enterprise resource planning system (ERP) as a solution to the above problems. While an ERP can bring enormous benefits to an organization and centralize much of its data, it doesn't usually prioritize or address forecasting. Because company leadership may believe an ERP is the solution for forecasting, they may not realize there are other strategies and solutions available.

# Strategies to Improve Forecasting

If the above challenges sound familiar, your organization will benefit from the solutions and strategies below.



## Improve communication and collaboration

Better communication among departments, especially sales, production, planning, distribution and IT, is the first step to improved forecasting and data analysis. Everyone needs to understand what company objectives are, what the demand is, what the inventory position is, and where possibilities and roadblocks lie. Data needs to be openly shared and aggregated, so ownership is promoted throughout the company.



## Ensure the Forecasting Reflects the Company's KPI's

A company's KPIs measure its performance against its core business objectives. Forecasts must support these KPIs to ensure they provide a roadmap for achieving the company objectives. A rollup of the forecasts should be done prior to the forecasts being locked.



## Ensure appropriate level forecasting

To ensure effective forecasting, the planning department must evaluate if they are forecasting at the appropriate level. For instance, should it be at the SKU level, customer level, region or channel? Focusing on the appropriate drivers of the business will provide the necessary detail to ensure the right product goes to the right place at the right time.



## Review forecasts by exception

Rank your items to ensure that the company is focusing on the most important priorities. Instead of looking at all SKUs every week, simplify the forecasting process by looking at exceptions. Focus on the greatest deviations from the projected forecast, to prioritize the best opportunities and limit the most impactful liabilities.



## Consider a software solution

Implementing a sales analysis and forecasting software solution is perhaps the most impactful way to improve forecasting within an organization. It integrates vital data from various locations (or integrates with your ERP) to quickly analyze the appropriate data. The right software solution ensures accurate forecasting, while making the process more efficient and easier, providing critical insights and improving cash flow.

**Need more  
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your forecasting  
challenges?**

[basic-code] offers leading sales analysis and forecasting software, to help companies make smarter business decisions quickly, understand growth opportunities and liabilities, optimize inventory, improve cash flow and more. We've found that users of our tool increase sales up to 25% because of the improved visibility into their data. **Learn more** or **get in touch** today!

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