Welcome
Welcome to Trends, the e-newsletter from Business Forecast Systems. Trends puts more than two decades worth of forecasting knowledge, experience and expertise at your fingertips every other month. Watch this space for tips & techniques, information & insight, observations & opinions and more. Thanks for reading!

Act Now: Forecast Pro TRAC Offers for Trends Readers Expire August 31

To celebrate our newest release Forecast Pro TRAC, The newest member of our Forecast Pro software family and our most comprehensive product yet, all Trends readers who license Forecast Pro TRAC prior to August 31st will receive a free 2-hour WebEx Quick Start training plus 50% off of the regular attendee fee at the upcoming Forecast Pro User Conference. In the training, you will be guided one-on-one through Forecast Pro TRAC by an expert BFS trainer at a time you schedule, allowing you to get up to speed with TRAC quickly and efficiently.

In addition we are offering limited-time specials on TRAC licenses. Click here to learn more.

You Can Forecast New Products

Knowing that on average new product forecast accuracy hovers at only 50%, many forecasters shy away from putting significant effort into forecasting new products. In this article, Professor Ken Kahn of Virginia Commonwealth University explains that these challenges can be overcome by deploying a systematic approach that addresses the issues specific to new product forecasting.

Read more…

Forecast Accuracy: Trends 30-Second Survey

Over the past few years, Trends has conducted a series of surveys designed to investigate important topics for forecasters. In this issue, we re-run the results of the Trends 30-Second Survey on forecast accuracy, reporting on how forecast accuracy goals are set and which metrics are used for tracking accuracy. Downloadable slides, including a listing of additional resources, are also provided.

Read more...

Lighter Side

“Champions know that success is inevitable; that there is no such thing as failure, only feedback. They know that the best way to forecast the future is to create it.”

-Michael J. Gelb

Forecast Pro User Conference
September 21-23, 2009
Boston, Massachusetts USA

Forecast Pro Appearances
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2009 APICS International Conference
October 4-6, 2009
Toronto, Ontario, Canada

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Look for Forecast Pro at the following events.

Overview of Forecast Pro TRAC
August 28, 2009

Feedback

We at Trends value your feedback. Please feel free to send us your comments, questions or requests at newsletter@forecastpro.com.
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Business Forecast Systems, Inc.  |  68 Leonard St.  |  Belmont, MA 02478, USA
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Welcome to Forecast Pro - Software for sales forecasting, inventory planning, demand planning, S&OP and collaborative planning.

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Forecast Pro TRAC is Business Forecast Systems’ most comprehensive product yet. Forecast Pro TRAC includes the tested and proven capabilities found in Forecast Pro Unlimited, and adds an impressive set of tools and utilities, making it the most powerful, flexible and cost-effective forecasting system on the market today.

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Eric Kapinos
Director of Forecasting and Planning
Oberto Sausage Company

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You Can Forecast New Products

Compared to the forecasting of ongoing product demand and sales, new product forecasting receives considerably less attention, as is reflected in the number of publications found on the respective topics. Those publications that do address new product forecasting predominantly focus on statistically sophisticated techniques. This portrays new product forecasting as a potentially mysterious endeavor—which it is not.

New product forecasting is certainly difficult due to the unique challenges connected to the new product forecasting endeavor. For example, new product forecasts contend with high degrees of uncertainty that result in new product forecast accuracy being, on average, slightly above 50%. Compare this to research that suggests forecast accuracy of current products to be between 70% and 85% on average at the product level.

Time management is a second major challenge. When forecasting existing products, one can usually run a forecasting engine embedded within a company’s production planning software. In contrast, forecasting a new product requires more manual attention, and thus, considerable time and resources. The additional time required to develop a new product forecast may be prohibitive, particularly if a forecaster is responsible for a product mix of thousand of items. Less available time means less thinking on inherent new product forecasting issues such as:

- draw (the percent of a new product’s volume coming from products within a product category);
- cannibalization (the percent of a new product’s volume coming from the company’s own existing products);
- category growth (the percent of a new product’s volume coming from new category buyers who enter the category to purchase the new product); and
- category expansion (the percent of a new product’s volume coming from increased category consumption among current category buyers where the purchase of the new product is incremental volume for the buyer).

A third challenge is the amalgamation of assumptions on which new product forecasts are based. This mandates that managers recognize new product forecasting as a process of assumptions management, where assumptions are systematically generated, translated and tracked. Failure to approach new product forecasting with a mindset towards new product forecasting as assumptions management results in a greater tendency for erroneous new product forecasts. Assumptions which are not regularly documented and tracked for consistency can meander, can be easily manipulated and are more susceptible to company politics.
While the challenges may appear to be daunting—high forecast accuracy is never assured, time is a limited resource and a myriad of assumptions may persist—employing a systematic new product forecasting approach can “demystify” the new product forecasting endeavor and force focus on those new products and issues deserving of attention. A systematic new product forecasting approach includes the establishment of a new product forecasting process that dovetails with the existing sales forecasting process and the Sales and Operations Planning (S&OP) process; the assignment of specific roles and responsibilities for new product forecasting-related tasks; and the delineation, revisiting, and tracking of new product forecasting assumptions that underlie the new product forecast. By systematically approaching new product forecasting as a process, a company will attend to the right issues initially, manifest more accurate new product forecasts, and optimize one’s time in generating this forecast.

These benefits highlight the need to take a practical, systematic approach to new product forecasting and acknowledge a process approach for proper new product forecasting. In short, careful consideration, understanding and systematic persistence will create a new product forecasting endeavor that is laudable and meaningful for the business.

Dr. Kahn will present a session on “New Product Forecasting Applications“ at the Forecast Pro User Conference in Boston on September 21, 2009. For more information, click here.

**About the Author**


Dr. Kahn’s industrial experience includes serving as an industrial engineer and project engineer for the Weyerhaeuser Company and a manufacturing engineer for Respironics, Inc. He has consulted with and facilitated training sessions for numerous companies, including Acco Brands, Alticor Corporation, Coca-Cola, ConAgra Foods, Deere & Company, Gillette, Harley-Davidson, Honeywell, McNeil Nutritionals, and Schering-Plough.
**Forecast Accuracy: *Trends 30-Second Survey***

The Trends 30-Second Survey on forecast accuracy survey, first reported in January 2007, asked four questions; seventy-seven surveys were completed. The questions were:

- Does your organization formally track forecast accuracy?
- If yes, do you have a target/goal for forecast accuracy?
- If you have a target/goal for forecast accuracy, how is it set?
- What accuracy measure do you use?

83% of those who responded do formally track forecast accuracy. However, of those who formally track forecast accuracy, only 79% had an accuracy target or goal. Further insights into this result are reflected in comments, which suggest that for some, the forecast is the "plan" and is part of the budgeting process as opposed to demand or supply chain planning. As one respondent noted, “We track our sales revenue against forecast, but I don’t know that we have a goal for accuracy other than 100%.”

![Chart showing responses to questions about forecast accuracy](http://www.forecastpro.com/Trends/SurveyAugust2009.html)

The ways that forecast accuracy targets are set prove to be diverse, although the single most prevalent way is a management-dictated target. The breakdown of responses is as follows:

<table>
<thead>
<tr>
<th>How is your target/goal for forecast accuracy set?</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management dictates target</td>
<td>41%</td>
</tr>
<tr>
<td>Industry Benchmarks</td>
<td>22%</td>
</tr>
<tr>
<td>Forecastability analysis</td>
<td>21%</td>
</tr>
</tbody>
</table>
Many of the comments by those selecting “Other” indicated that they placed focus on improvement. For instance, one responded, “better than last year,” another said, “continuous improvement.” A third wrote, “Based on improvement over prior year,” noting that they were, “working on forecastability measures.” These comments indicate that perhaps a good place to begin when tackling the issue of forecast accuracy goals is to answer the simple question: *Did I do better this forecast cycle than last forecast cycle?*

A couple of responses included improvement as an element along with a quantitative target. One indicated, “Industry benchmarks with stretch goals,” while another wrote, “combination of forecastability and analyst’s performance goals.”

With respect to accuracy measures used, an overwhelming majority of those who responded use some form of percentage measure as opposed to a unit measure. 89% used either MAPE (Mean Absolute Percent Error), WMAPE (Weighted Mean Absolute Percent Error) or Acceptability Range (+/- X%). One respondent also noted that measures such as MAPE and WMAPE are actually error measures, stating, “We use (1-MAPE) to report an ‘accuracy’ percentage.”

The comments from the open-ended response section at the end of the survey seemed to further underscore that forecasters need to look at forecasting accuracy measurement and evaluation as an ongoing process with room for continuous improvement. Several respondents brought up the topic of bias, noting that they were either already tracking bias or that their focus and efforts had led them to conclude that additional accuracy improvement opportunities exist around forecast bias measurement and tracking.

One respondent also asked about where to find additional resources. A list of resources (including where you can find some great PDF articles and research) is included at the end of the downloadable 30-Second
Welcome to Forecast Pro - Software for sales forecasting, inventory planning, demand planning, S&OP and collaborative planning.

Survey slide set.

Click here to download the survey slides as a PowerPoint slideshow. Click here to download the survey slides as a PDF document.

BFS offers excellent forecasting education events such as the upcoming Forecast Pro User Conference where topics such as forecast accuracy and much more are addressed.