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"The best insights come from data that helps to predict the future — where a change in an economic factor today can affect sales performance later."

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Dispelling Data & Analytics Myths

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MYTH

It is impossible to predict consumer behavior and accurately forecast demand for my products.

REALITY

Uncertainty is the biggest problem that plagues consumer packaged goods (CPG) companies today.

However, with today's computing power and latest predictive software, companies can very accurately predict consumer purchase behavior by incorporating leading external economic factors.

In fact, our CPG customers have discovered that changes in people's income, energy prices, or consumer confidence can impact as much as 90% of a category's sales performance.

The key is to marry these leading indicators with historical, internal data. This allows companies to not only address the "why" behind past performance but to also make better predictions of future demand. So how does one start?

1. START SIMPLE

Begin with a top-level metric, such as predicting national category sales volume. By starting simple, the scope of the analysis work can be focused on gaining insights to highly relevant business objectives.

2. STAY RELEVANT

Focus on external factors that make logical sense to your consumers. Reputable data sources, such as the US Census Bureau or Bureau of Labor Statistics, allow access via APIs to quickly integrate into analytics software. Keep in mind that the right data is far more important than the amount of data. For example, external factors we've seen that affect the CPG industry have been consumer sentiment, credit availability, average hourly wages and housing starts.

3. ANALYZE LEADING INDICATORS

The best insights come from data that helps to predict the future — where a change in an economic factor today can affect sales performance later. For example, a factor like average hourly earnings can be a six to nine-month leading indicator for discretionary spending.

By incorporating external factors we have seen significant improvement in forecast accuracy, empowering companies to make more strategic decisions ahead of competition. ❖