

●●● Competitive Analytics

Honda's Pursuit of Accurate Forecasting



Ω Background

- #44 on Fortune Global 500 and world's largest motorcycle producer
- Data-driven decision making

∅ Challenge

- International consulting firm delivering inaccurate sales forecasts
- Methodology was not robust

✓ Solution

- Developed custom interactive forecast models with real time updates
- Executives able to change any assumption and visualize custom scenarios

Δ Results

- Delivered a highly accurate sales forecast within 100 basis points of actual sales
- Management able to make better planning decisions

Honda's forecasting was inefficient and inaccurate

Honda R&D Americas (HRA), Inc. is an integral part of Honda, focusing on researching, designing, and developing products that will challenge the way the world thinks. The company's ability to accurately predict trends is paramount to its success, but their in-house approaches were both inefficient and inaccurate. Honda relied on outdated Excel modeling that is highly manual, resulting in forecasts that were static and unchangeable. In an attempt to improve predictive modelling, HRA had commissioned a nationally-recognized consultant to produce a sales forecast, but the delivered results and methodology were unsatisfactory and did not use the advanced predictive analytics required to produce precise results.

Competitive Analytics developed custom, accurate forecasting models with monthly updates

Competitive Analytics revolutionized Honda's forecasting capabilities by developing three custom, interactive predictive models. Our highly comprehensive and robust approach is underpinned by advanced statistics, applied mathematics, and econometrics. The three models we created deliver 10-year forecasts for 11 different product types. These models are also customizable by the user, allowing them to modify the parameters of the models and carry out "what-if" analyses.

The system developed by Competitive Analytics is automated. Each month it automatically gathers new data and conducts the modelling, delivering updated dashboards reports generates to Honda staff to show forecast findings. This automated procedure provides predictive analytical findings quickly and efficiently, which makes planning and budgeting faster and easier.

Forecasts were highly accurate and fell within 1% of the actual outcome

The forecast calculated using our high comprehensive and robust approach proved to be highly accurate after the first year's retrospective comparison. There was less than 1% variance between forecast and actual. With our robust approach delivering highly accurate forecasts, leaders and decision-makers can make better choices and can more easily convince stakeholders that they were moving in the right direction.

Competitive Analytics enabled Honda to make better decisions more efficiently

The accurate, automated forecasting models Competitive Analytics developed gave Honda's senior management a higher level of confidence to make better planning decisions based on sales forecasts. The key improvements our forecasting services achieved include:

- **Time Savings:** Significantly decreased number of hours to conduct forecasting. It now takes about 3 hours per quarter, or 12 hours per year. Man-hour savings are estimated at 2000 to 3000 hours per year.
- **Better planning:** The client uses predictive analytics to plan for new product segmentation, annual and quarterly budgeting, research and development, marketing, advertising, and promotion strategy, dealership performance benchmarking, brand/segment competitive analytics, business cycle forecasting, scenario planning, and many other uses.