

## Case Study

Company: Midsize shoe manufacturer

Industry: Footwear Manufacturing

Problem: Needed business forecasts to finance equipment

Solution: Scenario forecasts

Time taken: 3 hours

Result: loan application approved with favorable interest rate and terms

A medium size manufacturer of ladies footwear needed to raise funds to upgrade equipment to remain competitive and responsive to market demands.

The bank requested a business forecast projected 3 years out. With Covid-19, the underlying assumptions based on their business history no longer held valid and they needed a different approach to develop and substantiate their business forecasts.

Scenarios were created based on data obtained from the Department of Statistics and the Central Bank. These included three economic indicators and four internal drivers including the new equipment to be financed. The economic indicators included GDP, employment rate and inflation. The internal drivers included increased production capacity with improved customer response time, new business channel partnerships, and increased sales presence. These were all weighted by the team led by an external consultant and included a person from production, finance, and marketing departments. Discussion and decisions took 1 ½ hours.

The scenarios were imported into the BlueWave Forecasting platform and mapped to the baseline items being forecast. This operation took 45 minutes and included a discussion of weights. Thereafter three forecasts were generated i.e. optimistic, pessimistic and expected. After the scenarios and mapping it took less than a minute to generate each forecast. The company sent the bank its forecasts with the three scenarios and a certificate stating that the drivers, scenario name, industry reference, weights, mapped items, and influence of each driver on the forecast.

Having been provided with three forecasts in compelling detail that explained the forecast assumptions and context, the bank was in a better position to understand the company and helped the financing application to be processed with the best rate of interest and covenants possible.