

Identifying Leading Indicators of Retail Sales



Identifying a set of macro-economic indices that can serve as reliable leading indicators of future sales can immensely benefit manufacturers and retailers, by helping them generate accurate near-term sales forecasts based on current trends in these indices, thus enabling optimal demand management .

LatentView found that indices like GDP, Housing Starts and NASDAQ can be used to predict holiday season sales with an accuracy of 97-98%, across different product categories

LatentView thus undertook this exercise with an aim to identify leading indicators of retail sales in the US during the holiday season (December), across product categories such as Electronics, Clothing and Personal Care.

Approach

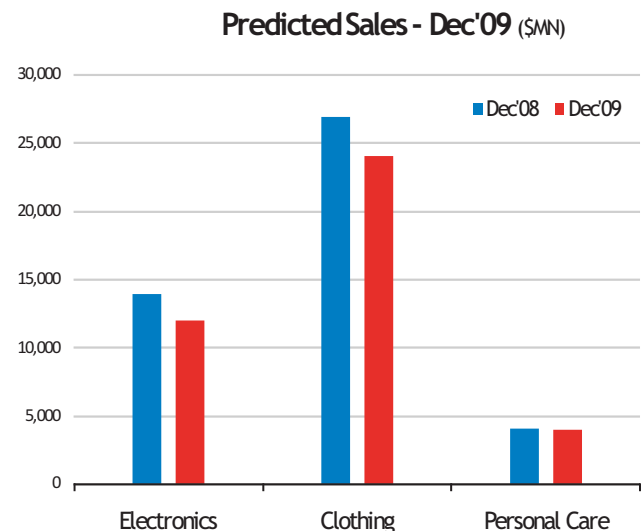
LatentView analyzed publicly available data on over 20 different macro-economic indices for the past 17 years, and using statistical models, studied their relationship with retail sales in December in each product category.

Findings

LatentView found that indices like GDP, Housing Starts and NASDAQ could serve as excellent leading indicators for retail sales, as they were able to predict holiday-season sales with an accuracy of 97-98% across product categories.

Category	Leading Indicators
Electronics & Appliances	Adjusted GDP, Housing Starts
Clothing	Adjusted GDP, Housing Starts
Personal Care	GDP, NASDAQ

Indicators were calculated as recency-weighted average of monthly values between Mar-Aug



Description of Leading Indicators:

- **Adjusted GDP** - GDP for the month, after adjusting for seasonal variations
- **Housing Starts** - number of privately-owned residential buildings that commenced construction in the month
- **NASDAQ Range** - difference between highest and lowest values of NASDAQ during the month

Conclusions

Based on recent trends in these leading indicators, LatentView predicts sales this December to be lower by 3-14% compared to last year, across product categories.

While Electronics and Clothing categories are expected to record a significant drop in sales compared to last year, sales of Personal Care products is expected to remain unchanged.

Looks interesting? Want to know more? Please leave your contacts at www.latentview.com/talk-to-us.htm and we will get in touch with you.

About LatentView

LatentView develops and delivers result-oriented analytics solutions that help you improve marketing performance, efficiently trade-off risks against available opportunities, maximize customer value and increase employee effectiveness.

We offer solutions for information intensive business in B2B, Consumer Lending & Financial Services, Insurance, Pharmaceuticals, Retail and CPG sectors. We combine business understanding with expertise in analytics, quantitative modeling, decision management and business research to build practical solutions that deliver long term business value.

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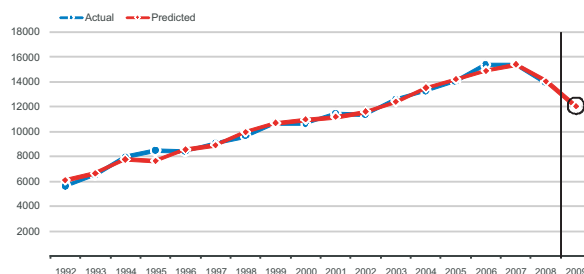
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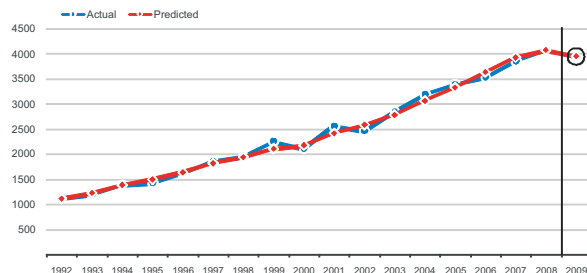
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LatentView predicts sales this December to be 3-14% lower compared to last year, across categories

Electronics & Appliances



Personal Care



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