

Predictive Selling: A new approach to high performance for the chemical, forest products and building materials industries



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Podcast script

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About the speakers

Michael P. Craig is a senior executive in Accenture's Pricing & Profit Optimization Group. With more than 12 years in consulting, he leads Accenture's offerings that address issues such as customer insights, pricing, customer segmentation and channel management for companies in the forest products and chemical industries. Mr. Craig is based in Charlotte, NC.

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Sev K-H Keil is Chairman of TrueChoice Solutions, Inc. and Managing Director of PL Venture Management GmbH, an investment firm based in Salzburg, Austria. Previously, he served as a director of the Center on Global Brand Management at Columbia Business School, the University of Munich, and CEIBS Shanghai. He has also been a Visiting Scholar at Yale University's School of Management, and is a Visiting Professor at various EMBA programs. He has consulted and taught extensively on e-business, customer relationship management, customer satisfaction, and strategy in Asia, Europe, the Middle East, and the United States.

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[Introduction]

Michael Craig:

Welcome to our podcast. Most of us have experienced that the floundering global economy brings particularly troublesome times for the forest products, building materials and chemical industries. And even in the best of times, few of these companies operate with much cushion.

However, Accenture research has shown that in order to achieve high performance, particularly during these troubled times, businesses—no matter the industry—must continually (1) refine their market focus and position; (2) develop distinctive capabilities that can adapt to shifting sources of competitive advantage; and (3) harness innovation to create new market opportunities.

We believe that chemical and natural resources companies can begin to accomplish all three of these objectives through a new approach that Accenture calls Predictive Selling. The predictive selling offering is enabled by the real-time preference measurement technology of our partner TrueChoice Solutions. Over the next 10 minutes we will outline how predictive selling can be a powerful tool set for companies not only to survive, but to drive toward future high performance.

To better understand the concepts, we have invited TrueChoice's founder and CEO, Sev Keil to join us. Sev, what actually is predictive selling?

Sev Keil:

To make a long story short, predictive selling means that all customer interactions, content and value proposition are powered by individual preference data. As simple as this may sound, the offering is powered by a very sophisticated technology and provides significant opportunities to add value via consulting and integration services.

Predictive selling is customer insight taken to the next level and made truly actionable—in fact, this approach enables entirely new sales models that can effectively generate new leads as well as optimize existing accounts—we (a) improve the customer relationship and customer experience and (b) minimize ‘money down the drain’ by not wasting resources on the wrong products and services—in other words, for a small investment we can directly impact and shape future demand.

[Overview]

Michael Craig:

In these industries, where product offerings may be difficult to differentiate from one competitor to the next, smart companies will build a sustainable advantage by developing value offerings that extend beyond the products themselves. For these companies, predictive selling can become the wellspring of innovative offerings.

Sev Keil:

Importantly, we can reliably answer the question ‘how to serve’ each customer account—B2B and B2C—align our offerings with what each customer wants and make sure we are no longer leaving money on the table.

Michael Craig:

At the center of predictive selling is first understanding with extreme precision the dynamics of what determines business decisions at the individual customer level, and then using that information to drive high performance. This concept goes far beyond developing a more customer-oriented focus. It defines buyer values on a case-by-case basis. In fact, TrueChoice’s predictive selling technology is powered by over 460 novel and patented econometric algorithms that measure precisely “how” an individual makes decisions in real-time.

The real-time preference data not only measures what product or service a specific customer might appreciate, but also gives us real insight into what value the customer attaches to a particular product or service under a range of different scenarios.

Sev Keil:

This approach to measuring individual customer preferences in real time elevates the predictive selling model above conventional techniques aimed at developing an aggregate understanding of customer characteristics. Predictive selling builds a highly personalized and precise picture of each decision maker’s buyer values and willingness to pay. We now understand how she makes tradeoffs among the complex relationship, product or service aspects of an offering. Importantly, the data is immediately actionable for all stakeholders—customers, sales and management.

Michael Craig:

Sev, before you get into how TrueChoice works, I want to point out how this is different from traditional tools. In predictive selling, traditional “voice of the customer” techniques for developing product offerings and sales strategies, which include data mining and surveys, no longer take center stage in developing the sales model. Predictive selling recognizes that these traditional techniques for building customer insight fall short in a number of important ways.

Sev Keil:

Exactly, from a mechanics perspective, they are cumbersome, take a long time, are boring, rely on large sample sizes and long lead times. The very nature of such traditional approaches means companies that wish to refresh their understanding of their customer base face a lengthy and potentially costly survey-style exercise every time. The second shortcoming of traditional surveying techniques, then, is that they provide only point-in-time information. They do not capture changes in decision drivers over time, which makes the reliability of the conclusions drawn from the data suspect. Third, the traditional surveying process provides no personalized, educational interaction with the customer.

Michael Craig:

Which means this impersonal nature of customer surveys misses potentially valuable relationship building opportunities and offers little to the customer for their participation—in other words, there’s no value exchange.

One last point on this... from a strategic perspective, traditional voice-of-the-customer techniques are part of a backward-looking process, so they are inherently limited in helping to market and price new offerings. For example, our research has shown that the difference between what individuals bought in the past as revealed by past purchase data and what they would have been willing to buy in terms of a different value proposition, solution bundle or price point, often exceeds 20 percent of a transaction.

Sev Keil:

This difference represents real money in the form of revenue and margin that is left on the table—an insupportable proposition in times like these.

[Description]

Michael Craig:

This brings us to the good news—predictive selling is easy to set-up and deploy. Accenture’s offering is based on a proprietary, easy-to-use, highly customizable software-as-a-service (SaaS) solution by our partner TrueChoice. Our clients’ would invite individual customers to use a web interface that is positioned as a smart decision or collaboration tool.

Sev Keil:

Exactly. The tool educates customers about offerings and walks them through attractive, personalized scenarios that self-adapt as they progress—in fact it is fun. While the customer is using the tool, the econometrics on the backend estimate and validate this individual's preferences in real-time.

The results of this exercise, including real-time data about individual preferences, deal points, deal breakers, purchase likelihood, willingness-to-pay, profit reserve, and more, feed into CRM systems through which sales and management can gain better insights on how each individual makes decision. Importantly, the data highlights potential revenue opportunities—which means up-selling and cross-selling made easy.

Michael Craig:

So in essence Sev, the process provides the very detailed information groundwork CNR clients need to satisfy the preconditions of high performance described earlier: how they need to refine their current market focus; what distinctive capabilities they should develop; and where opportunities exist to create new markets.

Sev Keil:

Correct, predictive selling does all that and hands the company the play-by-play instruction on how to execute on these insights—which value proposition, for which customer, at what time.

Michael Craig:

Another key to the success of the deployment is ensuring that the individual customer gets value from the process as well. As mentioned earlier, predictive selling differs from traditional surveying techniques in that it provides information of genuine business value back to the participant. At the end of the process, the customer receives a personalized preference profile that helps them better understand the subconscious factors that impact their own decisions and a comparison with how their peers make decisions. Providing such an immediate reciprocal benefit encourages participation in the process.

The entire process only takes a few minutes and Accenture experience with the model has shown that customers perceive the exercise as a valuable use of their time.

Sev Keil:

Traditionally, our B2B deployments have seen completion rates of up to 93% without incentives as well as opt-in lead rates of well over 30%—that is 2.5 times better than comparable campaigns. In fact, a recent study conducted by a client revealed that over 90% of customers felt the tool helped them make better decisions.

[Benefits]

Michael Craig:

Before we conclude, let's summarize the three-fold benefits of predictive selling. Companies that adopt a predictive selling model essentially are making a conscious choice to look ahead and shape future pursuits rather than backwards-track the efficacy of selling decisions they made based on incomplete information. Because predictive

selling is highly scalable, clients will realize significant ROI by optimizing their existing accounts as well as by using the model for new lead generation.

Predictive selling also allows clients to develop insights that go beyond anything transactional. In fact, the insights gained through using the predictive selling model become the basis for a strategy of high performance in three important ways.... Sev.

Sev Keil:

First, predictive selling minimizes money left on the table by building better relationships and by making sure we get the most out of an opportunity. Because it allows companies to create better-targeted offerings that will be perceived as high value, predictive selling helps to maximize the returns from each individual account.

Second, predictive selling stems the flow of wasted resources. Knowing what their customers value and what they are willing to pay means time and money spent chasing dead ends can be kept to a minimum. Actionable insights from 120 metrics allow management to optimize pricing, sales strategy and ROI of all offers. Importantly, companies can better align their supply chain and direct their sales force towards the most promising opportunities.

Michael Craig:

Third, predictive selling means real demand stimulation, even along the B2B2C sales chain. In other words, not only can companies use the tool for their own customers' buying behaviors, but we see clients that also provide versions of their predictive selling tools to channel partners for use with the end customer. The insight that comes back from these models about "what is the right product for me" from the end customer's perspective will allow our clients to shape and respond to downstream demand.

[Conclusion]

Michael Craig:

It's time to conclude this podcast. The chemicals, forest products and building materials industries typically have so little leeway in their operating models that cost-cutting maneuvers are severely limited before they are even begun. With traditional cost-cutting options providing limited value, now is the time to cut a new path—to let this innovative approach to sales and marketing take on new emphasis.

With Accenture's predictive selling offering, 1:1 customer insights drive the differentiation that enable high performance. Predictive selling is more than a nice-to-have concept; it is an innovative best practice application of a technology that many other companies have already successfully put to work.

Sev Keil:

Now, more than ever customers are in the driver's seat, and where they spend their money depends on where they perceive greatest value. Predictive selling aligns offers with the preferences of every client and customer—all, in real-time.

Michael Craig:

Importantly, everybody wins --- customers have a better purchase experience, sales has more and higher quality leads and the company has a real-time finger on the pulse of the market.

Thanks for listening. We look forward to showing you predictive selling live.