

Predictive Selling

A new approach to high performance
for the forest products industry

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The struggling global economy brings particularly challenging times for the forest products industry. To begin with, forest products companies do not operate with much cushion, even in the best of circumstances. The capital-intensive nature of their manufacturing processes and price volatility demand that they operate lean at all times, which means that during a period in which other industries are tightening their belts, forest product companies do not have similar slack to tighten. Added to the mix, the emergence of the multi-polar world, bringing with it competition from points all around the world, has given rise to a fierce market in forest products. The result of these forces is that the forest products industry continues to be burdened with overcapacity during a time of deep recession and faces severely checked demand in major sectors, including lumber and paper products.

Accenture High Performance Business research has shown that to achieve high performance even during times of acute downturn, businesses—no matter the industry—must continually refine their market focus and position, develop distinctive capabilities that can adapt to shifting sources of competitive advantage and harness innovation to create new markets.

It is our point of view that the forest products industry can begin to accomplish all three of these objectives through a new approach we call predictive selling. The predictive selling approach was developed by industry-leading provider TrueChoice Solutions, Inc. and is enabled by the company's patented real-time preference measurement technology.

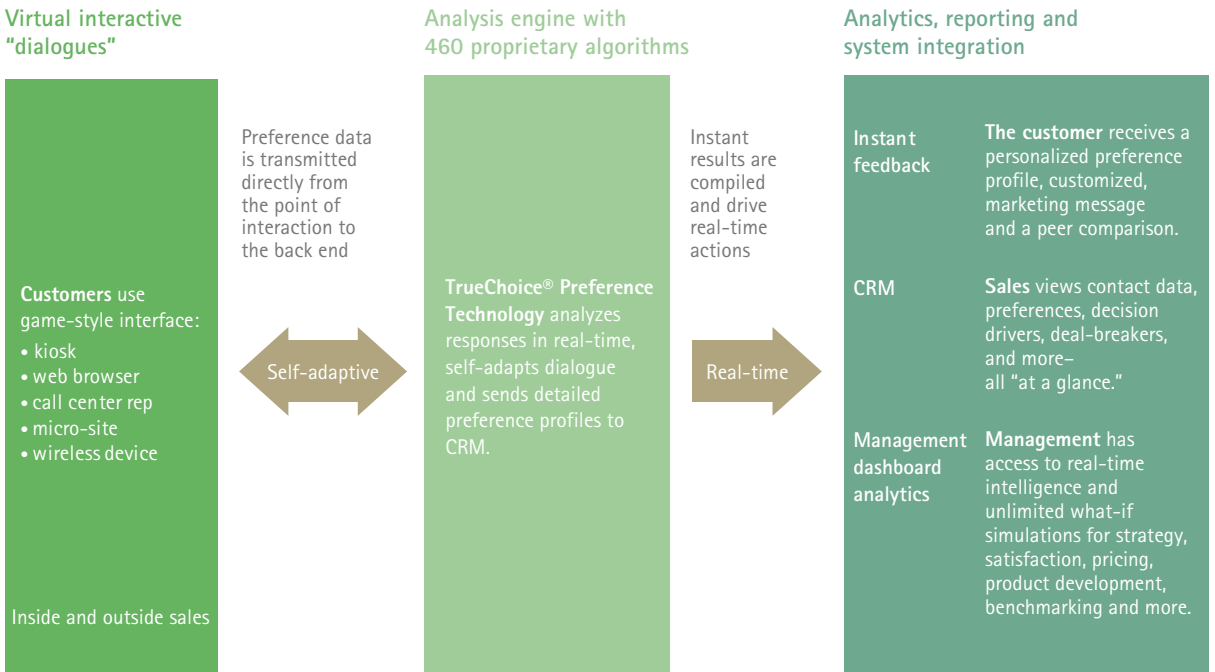
What is predictive selling?

Predictive selling means that all customer interactions, messaging and value propositions are driven by each individual customer's preference and price sensitivity functions. Hence, predictive selling recognizes that each customer generates value differently and can optimize the entire supply chain accordingly. From a return-on-investment perspective, predictive selling is customer insight taken to new heights and is used to: develop entirely new sales models that optimize existing accounts; minimize wasted money and efforts on the wrong products and services; and stimulate future demand (see Figure 1). In an industry like forest products (in which product offerings may be

difficult to differentiate between competitors), smart companies will build a sustainable advantage by developing value offerings that extend beyond the products themselves. For these companies, predictive selling also can become the wellspring of innovative and differentiated offerings.

At the center of predictive selling is first understanding with extreme precision the dynamics of what determines business decisions at the individual customer level, then using that information to drive high performance. This concept goes far beyond developing a more customer-oriented focus. It precisely measures buyer values on a one-to-one basis and in real time. In fact, predictive selling uses novel and patented econometrics that measure how an individual makes decisions

Figure 1. Predictive selling overview.



Source: TrueChoice Solutions, Inc., 2008

and how much they are willing to pay. Predictive selling not only measures what product or service a specific customer might appreciate, but also gives real insight into what value the customer attaches to a particular product or service under a range of different scenarios.

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 profile of each decision maker's buyer values and willingness to pay for specific attributes, as well as how individuals make tradeoffs among the complex relationship, product or service aspects of an offering.

The advantages of predictive selling

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.

From a mechanics perspective, they are cumbersome, relying on large sample sizes and long lead times. The unwieldy nature of these traditional approaches means companies that wish to refresh their understanding of their customer base face a lengthy and potentially costly exercise

every time they refresh. The second shortcoming of traditional surveying techniques is that they provide only point-in-time information. They do not capture decision drivers, which makes the reliability of the conclusions drawn from the data suspect. Third, the traditional surveying process provides no personalized interaction with the customer and does not close the feedback loop with the customer. The impersonal nature of customer surveys misses potentially valuable relationship-building opportunities and offers little in return to the customer for their participation.

Finally, and from a strategic perspective, traditional voice-of-the-customer techniques are part of a backward-looking process, so they are inherently limited in helping market and price new offerings. Attempting

to use static analysis of fixed tradeoffs limits the ability to understand what a customer is actually willing to pay. For example, recent client situations have 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. This difference represents real money (revenue and margin) left on the table—an insupportable proposition in challenging times.

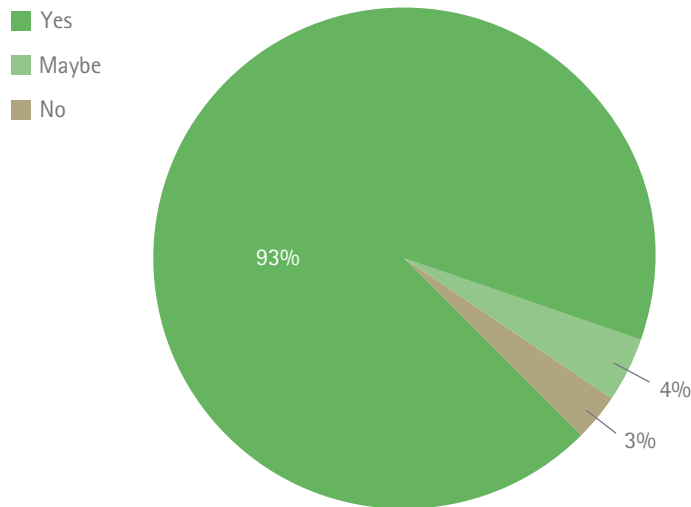
Predictive selling in action

Practically speaking, the technology already exists to make predictive selling a reality: an easy-to-use, highly customizable software-as-a-service (SaaS) solution has been developed by TrueChoice Solutions. During the process of generating individual customer insight, a forest products company would invite individual customers to use a web interface that is positioned as a smart decision or collaboration tool. The tool educates customers about offerings and walks them through rich scenarios that self-adapt as they progress.

The results of this exercise includes real-time data about individual preferences, deal points, deal breakers, purchase likelihood, willingness to pay, profit reserve and more. This data can feed into reports and analytic tools used on their own or integrated with customer relationship management or sales force automation software package. Armed with this level of detailed information, management can gain better insight on how

Figure 2. Value delivered to the customer.

“Adds real value, is educational and helps me make better decisions.”



Source: TrueChoice Solutions, Inc.; independent study of customer feedback and satisfaction, 2008 (conducted by third-party research provider)

each individual within a customer account makes decisions and what they value. These psychological factors effectively impact the customer's willingness to pay for specific products and services (and thus, highlight potential revenue opportunities).

In essence, the process provides the very granular, highly actionable information forest products companies need to satisfy the preconditions of high performance described earlier:

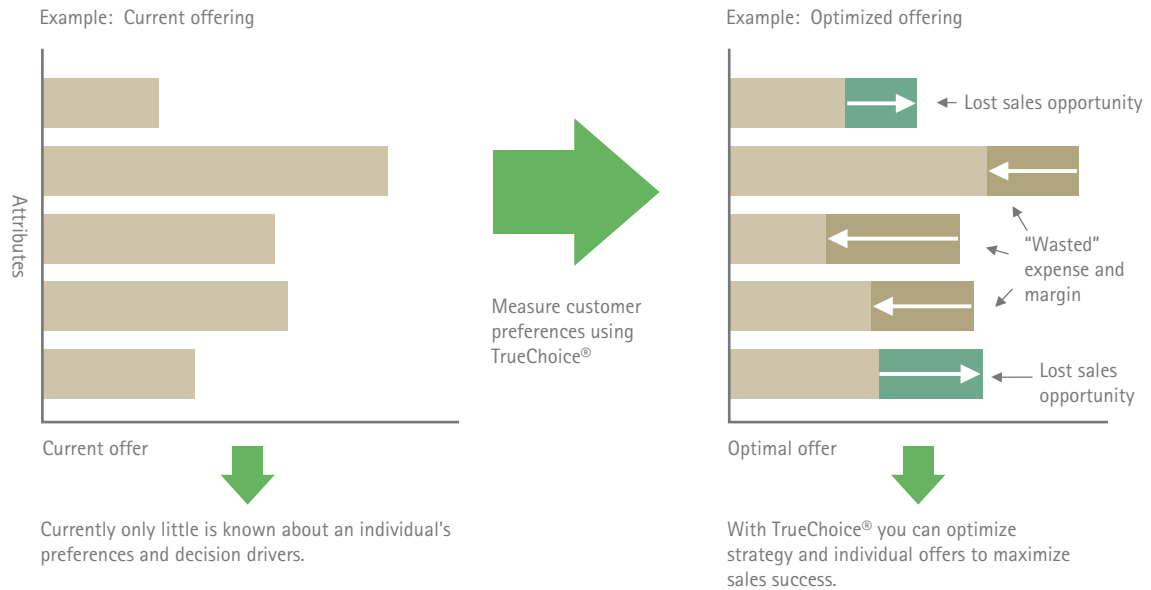
- What course of action maximizes return on investment.
- How they need to refine their current market focus.
- Which distinctive capabilities they should develop.
- Where opportunities exist to create new markets.

Key to the success of this approach 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 content 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 optimizes data quality and encourages participation in this dialogue.

The entire process takes less than 10 minutes of a customer's time. Accenture's experience with the model has shown that customers perceive the exercise as a valuable

Figure 3. Predictive selling helps optimize accounts.

Predictive selling software measures and validates individual customers' preferences—thereby significantly improving conversion rates, cost efficiency and product marketing decisions.



Source: Keil, Sev K-H; "How to become truly customer-focused", working paper, Yale University, 2001

use of their time, with more than 90 percent (see Figure 2) recognizing the experience as a positive value exchange, stating "this helped me make better decisions." This point is further supported by performance statistics—in several recent business-to-business deployments of the predictive selling model Accenture and TrueChoice Solutions have seen completion rates of 87 to 93 percent without any additional incentive offered.

The three-fold benefits of predictive selling

Forest products 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, forest products companies will realize significant return on investment by optimizing existing accounts as well as by using the model for new lead generation (see Figure 3).

Predictive selling allows forest products companies 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.

First, predictive selling minimizes money left on the table by building better relationships. It allows forest products companies to create better-targeted offerings that maximize the

returns from each individual account and will be perceived as high value by targeting actual customer preferences. By including the customer as an integral part of the product or service development—down to a very granular level—the customer recognizes that the product or service satisfies actual preferences, delivering higher perceived value at a lower risk. The customer has a new level of assurance that the offering has been developed in a way that makes the customer's needs paramount. Additionally, this evidence of real consideration of the customer's specific wants, needs and limitations casts the sponsoring forest products company in the light of a trusted advisor—an invaluable differentiator in a crowded industry.



Second, predictive selling stems the flow of wasted resources. Knowing what each customer values and what they are willing to pay means time and money spent chasing dead ends can be kept to a minimum. A typical predictive selling deployment produces information in the form of more than 120 metrics, allowing management to optimize the product and service parameters, bundles, pricing, sales approach and return on investment of all offers. With predictive selling, forest products companies can better align their supply chains and direct their sales force time toward the more promising activities.

Third, predictive selling allows forest products companies to begin building a business-to-business-to-consumer sales chain. In other words,

not only can forest products companies gain insight into their own unique customers' buying behaviors, they also can finally close the channel gap by providing versions of their predictive selling tools to their clients 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 allows forest products to shape and respond to downstream demand.



Conclusion

We often hear news of another company that has fallen victim to the contracting economy—usually, a company that lacked the agility to meet shifting market conditions. Times are challenging all over, especially for companies in the forest products industry, which typically have so little leeway in their operating models that cost-cutting maneuvers are severely limited before they even begin. With traditional cost-cutting options of limited utility, now is the time for forest products companies to pursue a new path—to let a new approach to sales and marketing take on new emphasis.

Predictive selling's highly personalized customer insight drives the marketplace differentiation that can lead to high performance: bringing

to light how forest products companies must refine their market focus and position, develop distinct products and services and create new markets in response to what each customer values, and how much value they attribute to specific products and services. Predictive selling is more than a concept—it is an innovative application of readily available technologies that many companies have already put to work building competitive advantage. 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 this perception of value among a forest products company's customers. It demonstrates a willingness to learn the nuances of what truly motivates their customers'

purchasing decisions and helps ensure a forest products company becomes a more customer-centric provider of innovative and relevant products and services.

About the authors

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About TrueChoice Solutions

Headquartered in New York City, TrueChoice Solutions is the global leader in real-time preference measurement. Used by many FORTUNE 500 clients, the TrueChoice® Preference Technology Suite is based on patented econometric technologies that for the first time allow companies to precisely quantify the 'how' and 'why' individual customers and employees make decisions, including their willingness-to-pay and purchase likelihood — all in real-time and with unprecedented precision. As a result, individual customers have a better decision experience, sales has access to more and higher quality leads, and companies measurably increase revenue and margin growth. TrueChoice has successfully deployed their solution in a variety of industries, including forest products, chemicals, agriculture, technology, automotive and financial services.

About Accenture

Accenture is a global management consulting, technology services and outsourcing company. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. With approximately 177,000 people serving clients in more than 120 countries, the company generated net revenues of US\$23.39 billion for the fiscal year ended Aug. 31, 2008. Its home page is www.accenture.com.



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