



“There is nothing more important than telling the company what we know. The Best Buy TagTrade prediction market provides an early warning indicator to help flag potential problems early.”

-Jeff Severts, EVP, Best Buy

SUMMARY

Industry

Retail Industry

Business Challenge

Monitor leading business indicators for the most critical initiatives

Gauge confidence of whether a new product or service is likely to succeed

Solution

Create TagTrade-- an internal prediction market-- available to all Best Buy US employees

Results

Identify potential problems early to decrease delays and reduce costs

Engage employees in the business success

Provide insights to improve efficiency of business processes

Compare sales and business volume forecasts to ensure accuracy of traditional methods

In 2006, several leaders at Best Buy sought to create a marketplace where employees could trade on information - information that was distributed across corporate and their stores. The goals of this marketplace are to provide senior leaders with leading indicators for the most critical initiatives in the company, and engage employees to share their insights in a quick, efficient way.

Solution

In 2006, Best Buy launched TagTrade, an internal prediction market available to all Best Buy US employees. Best Buy chose the Consensus Point Foresight Exchange on-demand solution due to the company’s prediction market experience and superior customer support.

Market Planning and Launch Details

TagTrade was initially available to 100 employees to capture predictions of sales forecasts for Geek Squad. Once they validated that the forecasts were accurate, TagTrade was expanded to include predictions for entertainment stocks, customer service, and consumer engagement. Some of the predictions in the TagTrade market provide insight on whether a new service offering is ready for launch, whether international stores will open on time, and whether the company’s strategic initiatives will stay the same or be changed. TagTrade was initially designed to predict outcomes occurring within a three-month time period, and currently the market predicts outcomes with both short and long term time horizons.

Market Promotion and Incentives

Best Buy developed an internal launch video to introduce TagTrade and today promotes the market internally through weekly emails. Participants receive an initial portfolio of virtual money to buy or sell shares. Best Buy rewards accuracy and participation through incentives to the top ranked traders and traders who refer additional participants to the market.

Benefits/Results

Supporting the Best Buy culture, TagTrade helps to narrow the gap between management and their employees and enables leadership to be nimble and responsive to customers while boosting sales and profits. TagTrade is accurately predicting the delay or on-time schedule of major initiatives, such as new services, IT initiatives, and store openings. TagTrade also provides predictions to management with speed and efficiency by sending price alerts when variances exceed predetermined amounts. The market reports provide insightful information and dynamic analysis of market trends and activity. The Best Buy TagTrade market proves to be more accurate than traditional forecasts, and in some cases 5% more accurate in predicting sales forecasts, such as media sales during the quarter.