



Customer Insights: Prediction Market Best Practices

SUMMARY

Market Objectives

Provide an early warning system for the most important initiatives in the company

Monitor real-time trends in forecasting

Keep a pulse on execution and service quality

Gauge employee confidence in strategic initiatives

Market Planning and Incentives

Start with a subset of participants then expand

Promote the market through websites, word of mouth and email

Align incentives with market focus and reward accuracy and participation

Business Value

Take action on prediction market results

Recommend process improvements and gaps

Identify the most appropriate channels to launch new products and services

Provide forecasts that are as accurate or more accurate at 6-8 weeks out

At Consensus Point, we measure our success by our customers' success, whether markets are in the early stages or have been run for years across the enterprise. With experience and innovative solutions, Consensus Point helps organizations realize business results by providing prospective insights on the most important initiatives in the company.

Consensus Point hosted an executive roundtable with customers from many different industries to discuss best practices of prediction markets. The executives provided key insights and critical success factors on market objectives, sponsorship, market planning, incentives, and business value.

Market Objectives and Sponsorship

Executives recommend two critical steps during the market strategy phase to set up a successful prediction market: define the market objectives and secure senior executive support. The most effective objectives to leverage the market are the following: 1) to provide an early warning system for major projects and company initiatives; 2) to monitor for trends and shifts in delivery and services forecasts; 3) to gather real-time insights on execution and service quality, and 4) to gauge employee confidence in strategic initiatives.

Senior executive sponsorship is an important criterion to enable a successful market. Roundtable participants recommend that sponsorship is important both at a senior level and at a functional level. In addition to senior executives, sponsorship and participation from a couple of functional business leaders is as important, with these functional leaders being regular traders in the market and also creating questions for the market.

Market Planning and Incentives

Executives state the following steps as important for a successful market launch: 1) align market objectives with incentives, 2) promote the market through multiple channels, and 3) start the market with a subset of traders, usually 100-200, then expand more broadly. While the employees who participated described the market as easy to use and understand, the executives cite the value of training during the market launch. Executives also agree that rewarding accuracy and participation, including incentives for referring additional employees to participate in the market, are effective to promote the market.

Business Value

Prediction markets provide the most business value when executives consistently take action on the market results. Executives note the importance of developing a comparison between current baselines and market outcomes, to gain confidence in market accuracy. Executives find the market to be on average as accurate or more accurate than traditional methods. In addition, prediction markets consistently provide valuable insights on how to structure or adjust forecasting processes, the most appropriate new product and service channels, and real-time status of critical initiatives.