Predictive Selling:
A new approach to high performance
for the chemical industry

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focusing on fresh ideas for
the chemical industry

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The struggling global economy brings particularly challenging times for the chemical industry. To begin with, most chemical companies do not operate with much cushion, even in the best of circumstances. The capital-intensive nature of manufacturing processes and price volatility demand that chemical companies operate lean at all times, which means that during a period in which other industries are tightening their belts, chemical 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 for chemical products. The combination of these forces continues to burden the chemical industry with overcapacity during a time of deep recession and to face severely checked demand in major sectors, including automotive, construction, electronics and high tech.

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

It is Accenture's point of view that the chemical 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. Accenture and TrueChoice Solutions work collaboratively to help chemical companies increase sales performance with their customers and end markets.
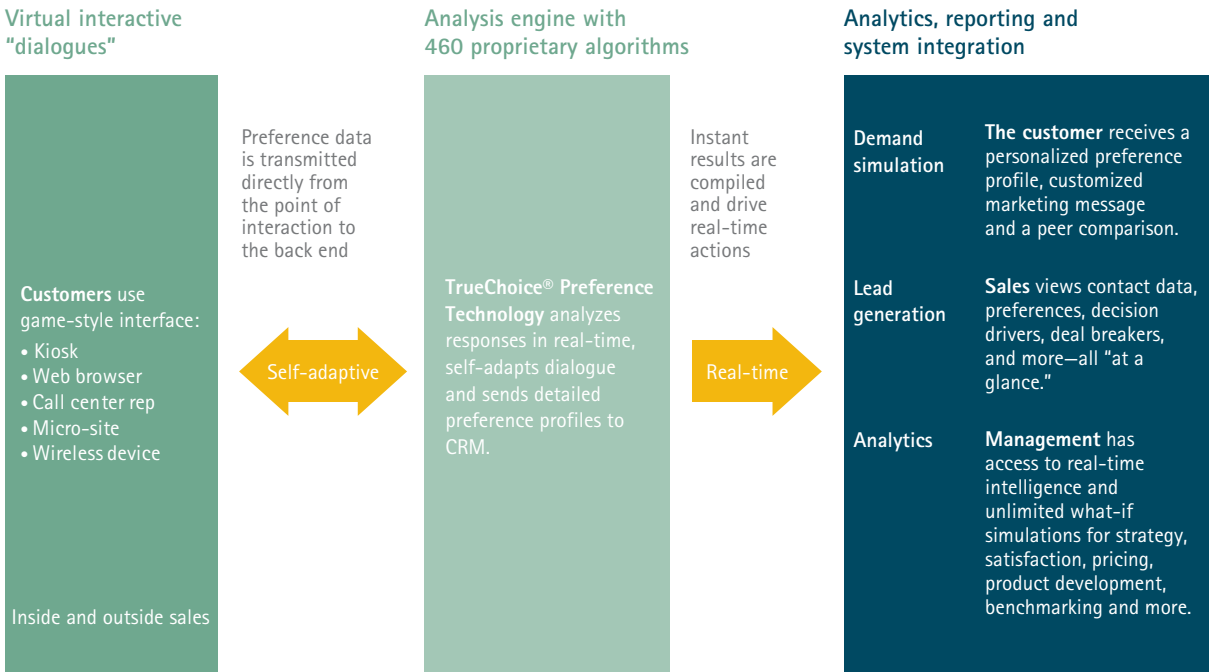
What is predictive selling?

Predictive selling is an innovative application that measures exactly how customers make buying decisions. Chemical companies can then use that customer data in their strategy and business architecture—including customer segmentation, sales force effectiveness and supply chain management—to turn customer insights into sales.

At the core of predictive selling is the development and use of a deep understanding of what determines business decisions at the individual customer level, and using that information to drive high performance. This concept goes far beyond developing a more customer-oriented focus. It measures buyer values on a one-to-one basis and in real time. Predictive selling uses proprietary algorithms that measure how an individual makes decisions and how much they are willing to pay. Predictive selling not only determines 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 typically aimed at developing an aggregate understanding of customer characteristics. Predictive selling

Figure 1. Predictive selling overview.

Virtual interactive "dialogues"

Customers use game-style interface:
• Kiosk
• Web browser
• Call center rep
• Micro-site
• Wireless device

Inside and outside sales

Preference data is transmitted directly from the point of interaction to the back end

Self-adaptive

Analysis engine with 460 proprietary algorithms

TrueChoice® Preference Technology analyzes responses in real-time, self-adapts dialogue and sends detailed preference profiles to CRM.

Instant results are compiled and drive real-time actions

Real-time

Analytics, reporting and system integration

Demand simulation	**The customer** receives a personalized preference profile, customized marketing message and a peer comparison.
Lead generation	**Sales** views contact data, preferences, decision drivers, deal breakers, and more—all "at a glance."
Analytics	**Management** has access to real-time intelligence and unlimited what-if simulations for strategy, satisfaction, pricing, product development, benchmarking and more.

Source: TrueChoice Solutions, Inc., 2008.

builds a highly personalized and accurate profile of each decision maker's buyer values and willingness to pay for specific attributes, as well as how individuals make trade-offs among the complex relationship, product or service aspects—or even brand—of an offering.

From a return-on-investment perspective, the customer insight generated through predictive selling can be used to develop entirely new sales models to optimize existing accounts, minimize wasted money and efforts on the wrong products and services, and stimulate future demand (see Figure 1). Chemical companies striving for high performance can apply predictive selling to develop offerings and value propositions that extend beyond the products themselves. Predictive selling also can become a source of innovative and differentiated offerings.

Take, for example, the issue of sustainability. Buyers of chemical products, converters and manufacturers of end products, and consumers in end markets have evolving views and preferences related to sustainable products. Predictive selling is an interactive and dynamic way to gauge the importance of carbon emissions, waste, water consumption and material/energy efficiency in the buying decisions of each buyer in the chain.

The advantages of predictive selling

Often, chemical company sales forces use traditional "voice-of-the-customer"—or surveying—techniques for developing product offerings and sales strategies. While these traditional techniques provide valuable insight on how products are performing and how effectively the sales force positions a product, these traditional techniques fall short on building customer insight in a number of important ways.

One shortcoming is that they typically rely on large sample sizes and long lead times. The nature of these traditional approaches means chemical 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 rarely capture decision drivers, which can make the reliability of the conclusions drawn from the data suspect. Third, the traditional process typically does not provide a 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 and demand-simulation opportunities and offers little in return to the customer for their participation.

Finally, traditional voice-of-the-customer techniques are mostly a backward-looking process, so they are inherently limited in helping to market and price new offerings. Attempting to use static analysis of fixed trade-offs limits the ability to understand what a customer is actually willing to pay. For example, recent Accenture 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 unacceptable proposition in challenging times.

Emergence of new chemical industry models

Companies must find new ways to grow value, manage the impact of volatile oil prices and contend with the rapidly increasing importance of new markets and economies, like China and the Middle East. These challenges were listed as high on the corporate agenda in a recent survey of more than 600 industry executives by ICIS Chemical Business magazine and Accenture. And two of the key priorities the respondents clearly voiced are the need to rethink an organization's business model for high performance and the need for strong "customer-related" global capabilities, such as pricing, customer strategy and customer-driven innovation.

As it relates to rethinking the organization for high performance, our recent analysis points to the emergence of three business models within the chemical industry broadly focused around the value-chain segment between energy and end markets. We have labeled these models feedstock foundation, chemicals platform and market maker. We believe chemical companies will need to determine which of these three models is the best fit for their enterprise, focus on those aspects of the business that will support high performance and shed those elements that hinder it. Each business model has its distinct characteristics:

Feedstock foundation

The feedstock foundation model focuses on petrochemicals and typically consists of three to five business units. Feedstock foundation companies produce the essential building blocks

for downstream players in the chemical industry and end markets and concentrate on adding value to feedstock primarily through "smart" locations (advantaged feedstock, growth markets), large-scale facilities and leading process technology.

Chemicals platform

Chemicals platform companies typically consist of five to 10 business units that span the entire chemical value chain. The platform of this model is a sort of "portfolio management company" that concentrates on the businesses, capabilities, markets and products loosely targeted at some of today's mega trends, such as health, energy, transportation, housing and construction. These companies will consist of a portfolio of business units—operating more or less independently depending on the companies' governance structure—actively managed for growth and synergy.

Market maker

Market makers typically consist of one to three business units. This model focuses not on chemical end markets, but rather on selected end markets such as life science, agrochemicals, paints and coatings, and related technologies. Market makers focus on driving innovation based on an understanding of product performance and act on pervasive end-market trends, not simply customer input. These players will make a significant investment in brand and distribution. The typical high growth with products represents a limited share of customer cost and value chain.

The survey also showed that having a global capability in place is considered important for many of an organization's functions—in particular—strategy, pricing and innovation. This need is why we see opportunities for companies, regardless of their business model, to build predictive selling capabilities.

Figure 2. Emergence of new chemical industry models.

Value chain positioning and profitability

Chemical industry value chain
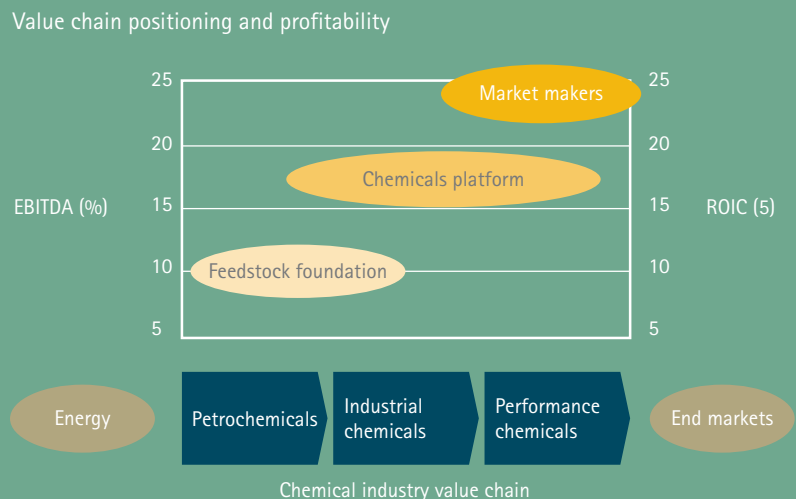
Predictive selling in action

The technology to make predictive selling a reality exists: an easy-to-use, customizable software-as-a-service (SaaS) solution has been developed by TrueChoice Solutions. Using the technology, a chemical 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.

As customers use the tool, chemical companies gain real-time data about individual preferences, deal points, deal breakers, purchase likelihood, willingness to pay, profit reserve and other data. This data can feed into reports and analytic tools used on their own or integrated with customer relationship management or sales force automation software. The data generates detailed information designed to help management gain better insight on how each individual within a customer account makes decisions and what they value. By looking at these psychological factors, management can effectively assess 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 chemical companies need, including:

• What course of action maximizes return on investment.

• What steps are needed to refine the organization's current market focus.

• Which distinctive capabilities should be developed.

• Where opportunities exist to create new markets.

Key to the success of this approach is ensuring that the individual customer also gets value from the process. As mentioned earlier, predictive selling differs from traditional surveying techniques in that it provides genuine business value back to the customer. 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 buying decisions and a comparison with how their peers make their decisions. Providing such an immediate reciprocal benefit optimizes data quality for chemical companies and encourages participation by the individual customer in the dialogue.

The entire process typically 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 use of their time. As shown in Figure 3, more than 90 percent of respondents indicate 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.

Figure 3. Value delivered to the customer.

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

- Yes
- Maybe
- No

93%

4%

3%
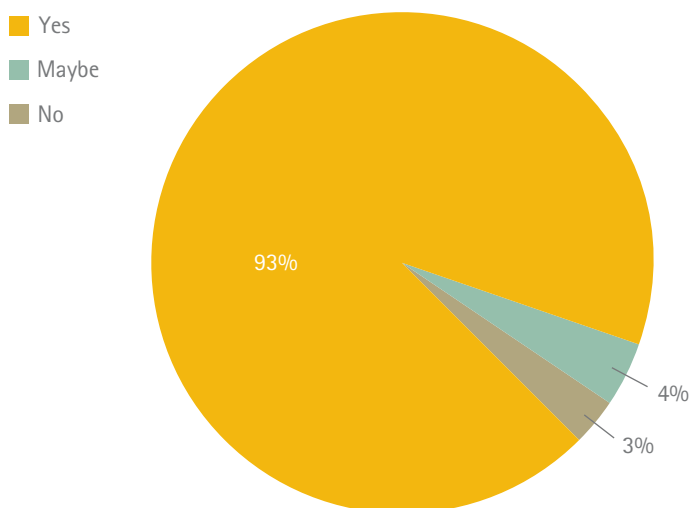
Source: TrueChoice Solutions, Inc.; independent study of customer feedback and satisfaction, 2008 (conducted by third-party research provider).

The three-fold benefits of predictive selling

Adopting a predictive selling model essentially positions chemical companies to look ahead and shape future pursuits rather than backward-track the efficacy of selling decisions made based on incomplete information. Because predictive selling is highly scalable, chemical companies could potentially realize significant return on investment by optimizing existing accounts as well as by using the model for new lead generation (see Figure 4). Additionally, the insights gained through using the predictive selling model can become the basis for a strategy of high performance in three important ways.
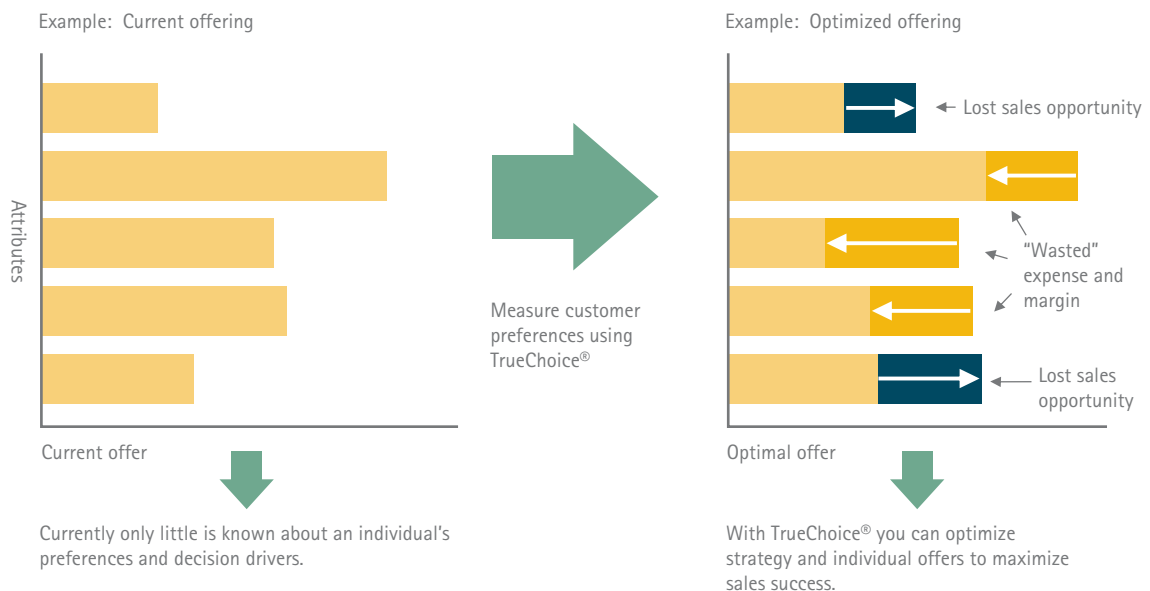
First, predictive selling minimizes money left on the table by building better relationships. It allows chemical companies to create better-targeted offerings that maximize the returns from each individual account and will be perceived as high value by targeting actual customer preferences. By including 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 chemical company in the light of a trusted advisor—an invaluable differentiator in a competitive 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. In addition, first-line managers

Figure 4. 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.
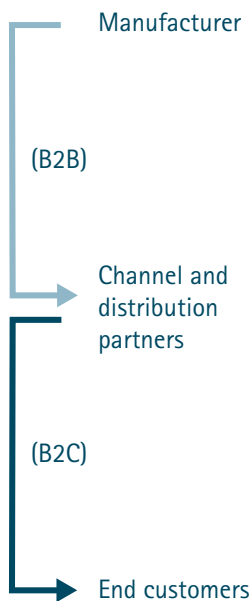
Example: Current offering

Attributes

Current offer

Measure customer preferences using TrueChoice®

Example: Optimized offering

← Lost sales opportunity

"Wasted" expense and margin

Lost sales opportunity

Optimal offer

Currently only little is known about an individual's preferences and decision drivers.

With TrueChoice® you can optimize strategy and individual offers to maximize sales success.

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

of the sales force can render more effective coaching to their sales teams. Lastly, chemical companies can better align their supply chains and direct their sales force time toward the more promising activities.

Third, predictive selling allows chemical companies to begin building a business-to-business-to-consumer sales chain (see Figure 5). In other words, not only can chemical 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 customers 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 chemical companies to shape and respond to downstream demand.

Figure 5. B2B2C predictive selling helps manufacturers (B2B) and channel and distribution partners (B2C) sell more product to more customers for more money.

Predictive selling helps answer the following questions:

Manufacturer

(B2B)

- Are you selling as many relevant products as possible to your current customers (upselling as appropriate)?
- Is your sales force enabled to offer proactive product guidance to your customers?
- Are your products differentiated from the competition?
- Is your supply chain optimized?
- How can you simulate demand?

Channel and distribution partners

(B2C)

- Do you have useful intelligence about your customers?
- Are you using customer intelligence to generate sales leads and optimize customer accounts?
- How can you improve productivity and simulate demand?

End customers

- Do you have all the information you need about available options?
- How do you determine the best product for your needs?

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 chemical industry, that 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 chemical companies to chart a new course—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 by bringing to light how chemical 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. If companies can understand their customers' preferences and the dynamics of the values in the buying decision along the value chain, this intelligence can help with such strategic imperatives as understanding new markets, product repositioning, price, degree of specific requirements from the customer, expected long-term buying behavior of the customer, type of sales force needed, type of interaction to have with the customer, supplier brand/reputation, product/ service differentiation, degree of customization, supply chain and sustainability positioning.

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 and advancing to high performance. Now more than ever, customers are in the driver's seat, and where they spend their money depends on where they perceive the greatest value. Predictive selling aligns this perception of value among a chemical company's customers. It demonstrates a willingness to learn the nuances of what truly motivates their customers' purchasing decisions to become a more customer-centric provider of innovative and relevant products and services.

Unleashing value through customer insight

A leading manufacturer of seed treatment products was experiencing a steady decline in competitive advantage. Sales were eroding and existing customers were demanding an increase in service levels and a reduction in price.

To address this decline in sales, the company had three objectives: understand how to best align the supply chain with distribution partner preferences, gain knowledge regarding what motivates customers' purchase behavior and stimulate demand by using customer interactions to generate actionable sales leads at the B2B and B2C level.

To gather fast, actionable insights on retailers, distributors and end customers, the company deployed a predictive selling solution. The company used a B2B, Web-based decision tool that took users only 10 minutes to complete (see Figure 6). Completion rates exceeded 89 percent, without incentives. The company now has access to data via a real-time analytics platform that models comprehensive insights on channel partners' decision drivers, willingness to pay and purchase likelihood. These insights can be used to optimize a wealth of decisions

regarding products, services, marketing support, payment terms, commission structure and tactical aspects such as container management.

To extend the reach to the end customer, the company also used a B2C version of the tool. Using the B2B2C insights from the tool, the company gained information on what offerings, services and pricing structures it needed to offer each account in order to improve margins and lower its overall cost to serve.

Figure 6. Sample screen shot from predictive selling web-based tool.
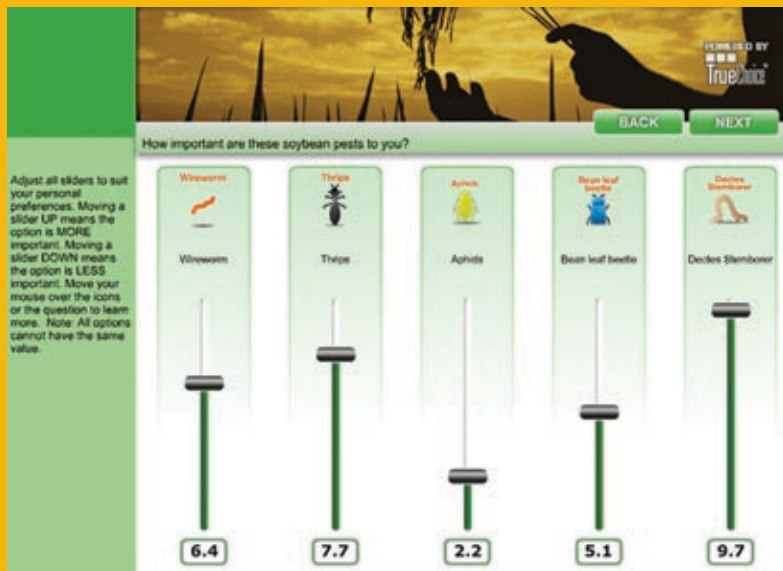
About the authors

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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 chemical,
chemicals, agriculture, technology,
automotive and financial services.

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177,000 people serving clients
in more than 120 countries, the
company generated net revenues of
US$21.58 billion for the fiscal year
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