Top 5 Tips for a Successful Predictive Analytics Project

Guidelines and Considerations for Marketing

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EXECUTIVE SUMMARY

The marketing world has been abuzz with talk about the power of predictive analytics for years now – acquire and retain the right customers, increase market share, create up-sell and cross-sell opportunities, deliver outstanding customer service – the list of benefits is endless. It is thrilling that this subject – long buried in the world of academia – has come to light and is getting the attention it deserves by companies across industries and of all sizes. However, there is a fair amount of discussion about "how" to tackle a predictive analytics project within an organization to ensure success. Much can be written on the art of data science and predictive modeling, but first companies need to focus on the basics of how a predictive analytics project should work. To this end, there are five imperatives for every marketer involved in a predictive analytics project.

1) SET A CLEAR, MEANINGFUL GOAL

Part of any proper project planning is defining the desired outcomes to be achieved. Planning a predictive analytics project is no different. Marketers should align the desired outcome of their predictive analytics project with the company's larger strategic goals. For example, a marketing analyst in the insurance field could easily choose to build a policyholder retention program based on predictive models and satisfaction surveys. However, if the company is focused on net new growth, a program for up-sell or cross-sell might deliver more valuable results. Proper alignment of a predictive project's goals with the larger company goals helps to ensure buy-in and resources for deployment.

Additionally, leaders should set their expected results in the proper context. Be realistic in your expectations. Predictive analytics is not a cure-all, but most programs typically return a value-add on the order of 5 to 15 percent. If the expected improvement is projected to be toward the lower end of that range, then select a problem big enough that the 5 percent is going to move the needle.

2) KNOW THE DIFFERENCE BETWEEN INSIGHTS AND ACTION

Marketers in most organizations are charged with being the change agents for their companies. That means they're responsible for getting internal stakeholders and external customers to change their behavior. That requires taking *action* on the *results* of a predictive analytics project, not simply analyzing data for insights.

Many marketers define their project by saying, "We're analyzing transaction data to define new customer segments." Segmentation is a useful tool but it is not the end goal – rather it's a means to your real end – selling additional products or improving customer satisfaction. Define the project in terms of action and outcome, not insight or knowledge. Don't confuse reporting on data insights with taking action to drive a better business *outcome*.

3) BUILD MEASUREMENT INTO THE PLAN

It is easy to include measurement as a line-item in a project plan, but predictive analytics projects require a detailed plan for measuring outcomes. This plan – or measurement design – should be thought out end-to-end at the beginning of the project design. There are two questions you should ask:

- *What else needs to be measured?* To fully close the loop on a program, a company may need to begin tracking new data points it doesn't collect today. That takes time and planning. For example, if a retail company begins feeding personalized cross-sell recommendations to its

employees, it is obvious they should measure the final outcome of purchase behavior. However, it is important to also measure the employee behavior. Did the employee use the cross-sell recommendations? Did they offer the same product or a different product? You won't know unless you measure.

- *Can the complete project be measured?* Mapping out an end-to-end plan on measurement will help you decide whether or not to proceed. If the program can't be measured or can't be measured accurately, that raises questions about the value of the initiative. The best predictive analytics programs can point to scientific, incremental results that prove their value.

4) PREPARE TO BE CROSS-FUNCTIONAL

Analytics can only reach its full potential when it is applied across groups and departments, not just within marketing. Marketing is responsible for generating demand and building a brand, and that can't be done alone. Marketing will invariably need the buy-in and support of finance, sales, IT and others.

To help gain this cross-functional support, present your predictive analytics project as an end-to-end process designed to generate a measurable result. Clearly communicate the goal and measurement plan, but also how this could impact other functional areas and what the expectations are for everyone involved. Be sure to lay out the overall process, actions required for success and the value that will be created for the business and individuals themselves.

5) FOCUS ON DEPLOYMENT

It's not enough to engage in predictive analytics; you need a plan for how it will be integrated operationally to change customer behavior and drive better business outcomes. Data scientists and academicians are sometimes too focused on predictive accuracy and modeling techniques, and don't put enough emphasis on the context of how the predictions will be used by the business.

Deployment of predictive analytics results can take many forms. Results are often fed into a campaign management system for outbound email campaigns, or used to select an audience for direct mail. Websites have long been using predictive technology to personalize content and product recommendations, and retailers are increasingly integrating analytics into their CRM and point of sale systems.

The key to deployment is to have a plan and to use the analytics to take action. Even the best predictive analytics project can't generate a positive ROI if it is only deployed using a slide deck.

IN CONCLUSION

Companies, and in particular, marketers, are investing in predictive analytics and recognizing that there is something transformational about combining business data and science. But success does not come in a vacuum. Having a solid project plan that focuses on meaningful goals, business outcomes and cross-functional support is critical. But none of this will have tangible results if you don't take action on the results.

ABOUT REVELWOOD

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- Our out-of-the-box implementation accelerators and tools ensure that our solutions are delivered in a fraction of the time required by a standard implementation.
- Our implementation methodologies are built on more than 20 years of best practices to ensure the best results, on time and within budget.
- We make "heroes" of our clients.

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