PREDICTIVE MARKETS

Predictive Markets use a combination of gamification and futures markets to allow respondents to trade on the likely success of concepts.

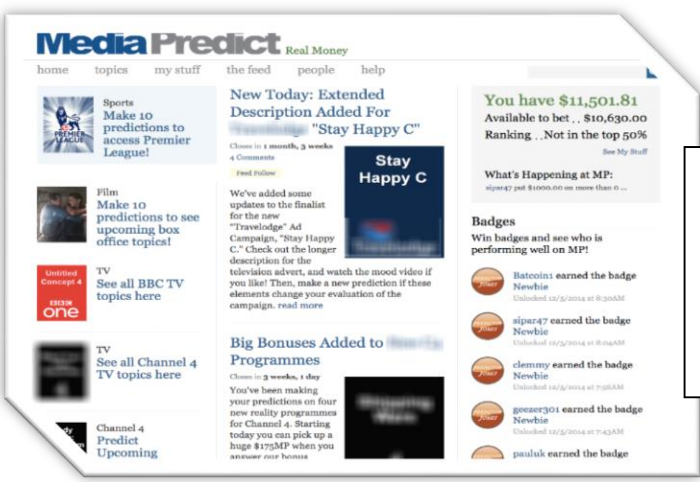
They started as an academic discipline in Iowa University (see the IEM - Iowa Electronic Market) and proved far more accurate than traditional surveys or focus groups at predicting likely success when testing concepts.

Predictive markets present a real alternative to conventional research surveys. They have been proven to be more accurate in predicting a range of outcomes and in addition to often being more cost effective, they avoid many of the issues that conventional research surveys are prone to, such as sampling bias, respondent fatigue and dubious responses to overly long or irrelevant questionnaires.

- Respondents self-select; they are free to answer whichever questions they want to, based on their own knowledge, from an array of questions covering different markets and subjects.
- They only respond to a question, place a bet, if they think they know better than the market - so no forced questions.
- There is a small amount of jeopardy. If they bet incorrectly they will lose their stake - so more thought goes into each question.

A predictive market is the only true gamified research environment; respondents aren't answering research questions, they really are playing. Analysis of the playing habits of participants in predictive markets has shown that they spend as long on the predictive market website as they do on social media sites and playing casual games such as candy crush and angry birds.

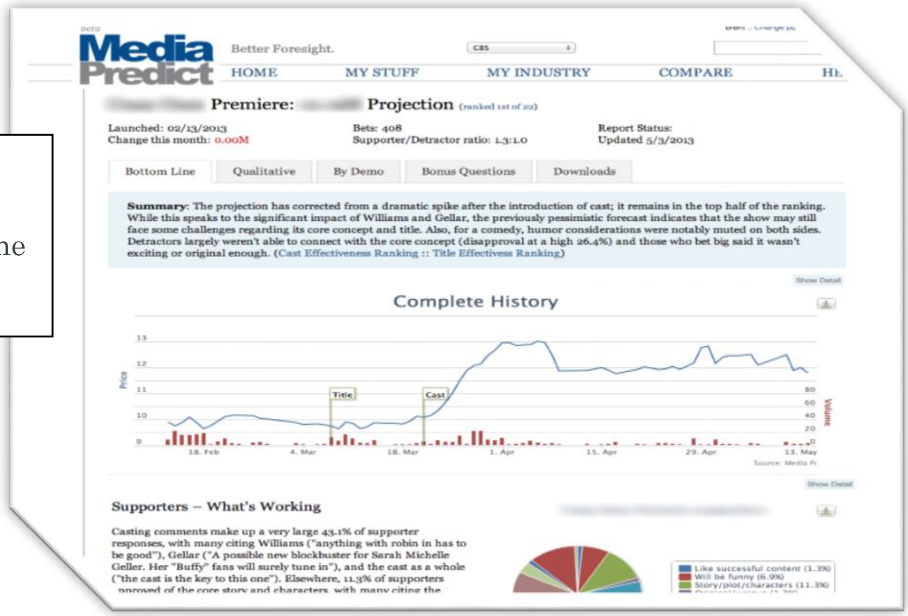
We started using it in television (hence the name : Media Predict) but we now use this approach for research in sectors ranging from television to politics, marketing and communications.



The respondent is not even aware they are in a research environment. They are simply 'betting' their game dollars across a range of subjects and questions.

The key advantages of predictive markets are accuracy, cost and turnaround time. The platform is linear, research takes place over a period of time, long or short. This enables us to add different components to an idea or concept over time to test reaction to them and to identify precisely which elements are driving the potential success of an idea.

The client output gives very accurate indications of which concepts (and which elements of the concept) are really driving success



Before each trade (or 'bet') respondents have to give us qualitative open-ends explaining why they are betting that way and the amount they bet (using gaming dollars which are exchangeable for real money) also helps us get a reading on confidence levels of each bet.

Four key differences in predictive markets:

- Panelists only answer questions they feel they know the answer to
- We do not pre-judge target sample
- Panelists are NOT answering what they would do but what they think the OUTCOME will be
- They can change their mind as new information becomes available so we get a real time response to new elements or information

They can be used for optimising creative content, concept evaluation, NPD and a range of other applications. In the USA the concept has been adopted by a number of leading companies to use in their business decision-making. The last words on the subject go to the Harvard Business Review:

"Hewlett-Packard, Motorola, Intel, Best Buy, Microsoft, Google, and Pfizer have all employed internal prediction markets to assess likely product shipment dates, predict sales volume, and identify best-selling products. Their results have been impressive." – **Harvard Business Review, January 2015**

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