

PREDICTIVE MODELLING

The Situation:

A major Australian gas and electricity retailer was looking to increase revenue through new customer acquisition and cross-selling to existing customers who were currently sourcing gas and electricity from two different suppliers.

The utility company needed a way to target households that were likely to be profitable customers, in order to maximise the ROI of its marketing expenditure. There was a strong positive correlation between the level of household energy consumption and the profitability of that household, and therefore the business requirement was to develop a way to predict the likely energy consumption for each of the millions of households in the markets serviced by this utility.

The Veda Solution:

Veda analysed the energy consumption patterns of the utility's existing customers and determined that a single predictive model could not deliver the level of accuracy required by the client, because there were factors relating to the geographic location of the household that would skew the results.

Therefore, Veda developed 10 separate models corresponding to 10 different scenarios, which predicted gas and/or electricity consumption based on factors such as the number of household residents by age group, dwelling type, climate, and geo-demographic profile.

Through iterative testing of these models, Veda identified the optimal combination of internal customer data and external market data required to deliver the highest possible level of predictive accuracy.

The Company Benefits:

Collectively, the 10 models delivered individual predictions for over 4.4 million Australian households, and a 160% improvement in the utility's ability to predict the actual energy consumption of each household within a range of +/- 20%.

This utility company used these models to improve the targeting and ROI of several dozen subsequent direct marketing campaigns over the next two years.

About Veda Advantage:

Veda Advantage Solutions Group is the leading provider of data-driven marketing solutions in Australia and New Zealand, generating some 40m mailing pieces per annum for acquisition campaigns. A combination of unique data sources, industry experience, long term client relationships, and an unparalleled data processing capability result in the most accurate high-volume dataset in Australia.

Through intelligent and insightful market segmentation, VSG provides accurate and responsive data sets for our clients resulting in increased customer acquisition and healthy returns on investment.