



Mat Fogarty

Background

- Worked in Fortune 500 Financial Planning and Analysis for 8 years
- Director of Corporate Planning at Electronic Arts
- Ran a 240 employee / 60 stock market
- Founded Xpree in July
- EA first customer
- **Public launch today**

Forecasting in Fortune 500

EA Experience

Does it Work?

Hollywood Stock Exchange – 700,000 active traders - predicted 92% of Oscar winners in last 3 years

Iowa Electronic Market – oldest prediction market in US, real money (\$500 limit), political forecasts - beat polls 60% of time, with average 23% less error

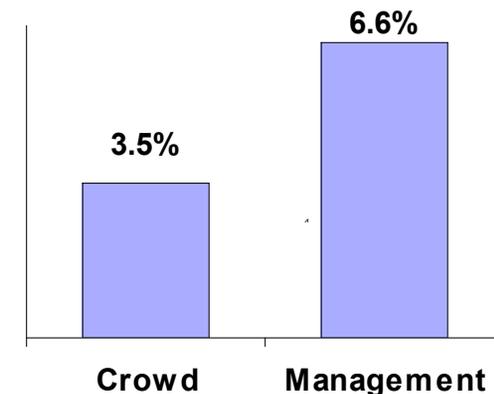
Intel – 25 employees, demand planning, 20% less error than previous methods

Electronic Arts – 240 employees, 60 stocks, game quality, half the average error

Users of prediction markets



Average forecast error at EA



Prediction Markets Work

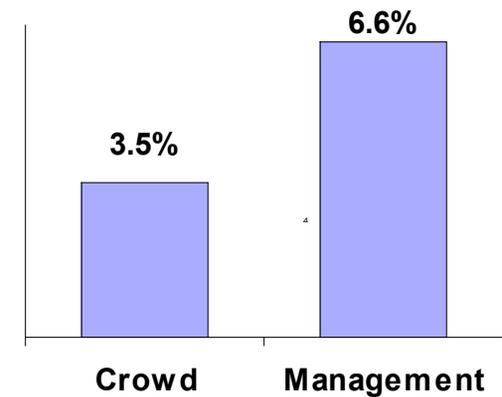
Summary of EA Markets

Phase 1

- 240 employees / 80 traded > 5 times
- 60 stocks - quality and industry metrics
- Inking software
- 10 / 12, half average error vs management



Average forecast error at EA



Phase 2

- Now running Xpree software
- Ship dates / sales / quality metrics

Successful and Ongoing....but.....Still Early

Forecasting & Markets

Problems in Corporate Forecasting

Development

Aspirational ship dates

Sales Teams

Low sales forecast

Cost centers

Inflated spending forecast

**Financial
Planning**

**Demand
Planning**

CEO

*Strategic and investment
decisions, target setting*

CFO

*Financial guidance to
investment community*

Operations

Production orders

Garbage In.....Garbage Out

Traditional Forecasting vs. Prediction Markets

	Traditional	Prediction Markets
Timing	Periodic	Real time
Who	Management	Diverse group
How	Influence through position	Put money where mouth is
Accuracy	Hit and miss	Great
Feedback	Little feedback	Everything measured, accuracy recognized
Control	Management	Crowd
Excitement	Dull, viewed as a grind	Fun, competitive game

Completely Different

Public vs. Corporate Prediction Markets

	Public	Corporate
Open to	Billions	Hundreds
Participation rate	< 0.1%	10 - 30%
Relation to subject	Enthusiasts	Employees
Why participate	Entertainment	Work / Break / Prizes
Network effect	Huge - biggest survive	Less - many small markets
Sensitivity	Public data	Secret data
#1 customer	Traders	Management

Corporate Markets are Small & Secret

Corporate Prediction Market - Needs

	Corporate	Needs
Open to	Hundreds	Maximize participation Every invitee counts 1. Easy to understand 2. Liquid markets 3. Fun to play
Participation rate	10 - 30%	
Relation to subject	Employees	
Why participate	Work / Break / Prizes	
Network effect	Many small markets	Easy to set up, flexible
Sensitivity	Secret data	Secure
#1 customer	Management	Powerful reporting

Maximize Participation / Easy to Administer / Secure

Xpree

Xpree Solutions

Key Features

For Traders

- Intuitive interface
- Game mechanics

Fun

For Administrators

- Easy set up of markets and stocks
- Automated training and prize logistics

Easy

For Executive Management

- Quantitative & qualitative results
- Powerful reporting
- Secure

Powerful

Made for the Enterprise



Demo



Mat Fogarty

Conference on Corporate Applications of Prediction Markets
November 2007

Screenshots

Screenshots



Market	Stock	Forecast	Change*	Actions
T Cell Product	First Month's sales units	94	◀	TRADE
	Med Pharma responds with competitive product	79	◀	TRADE
	T-Cell Launch Date	08/19/2009	◀	TRADE
Legislative change market	Legislation is passed to ban smoking in 2008	87%	◀	TRADE
	Number of MDs graduating in 2009	85,300	◀	TRADE
	Date Congress passes Hillary Health Care Bill 2.0	12/20/2008	◀	TRADE
Cancer Cure Market	Patients treated for cancer in US in 2007	829,000	◀	TRADE
	Will a cure for cancer be patented in 2008?	72%	◀	TRADE

Screenshots

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Trade Market

Trade "Will a cure for cancer be patented in 2008?"

Whether a cure for cancer will be patented in 2008 or not

The current price of **\$72.00** translates to an expected value of Will a cure for cancer be patented in 2008? of **72%**

Lower than 72% 72% Higher than 72%



Buy shares

I am very confident that the likelihood of **Will a cure for cancer be patented in 2008?** is **higher than** 72%. I am **buying 43** shares.

Submit

	Now	After trade
Free Cash	10,040	6,849
Long Assets	6,964	10,251
Short Assets	3,066	3,066
Total Assets	\$20,070	20,166

Screenshots

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?

Stock	Position	Price per share		Total value		Profit/Loss	
		Transacted	Current	Transacted	Current		
FTSE Close on 17/10/2007	42	66.35	66.56	2,787	2,796	\$9	<input type="checkbox"/> CLOSE
Med Pharma responds with competitive product	-14	82.60	79.20	1,156	1,204	\$48	<input type="checkbox"/> CLOSE
Date Congress passes Hillary Health Care Bill 2.0	-7	279.50	293.00	1,957	1,862	\$-95	<input type="checkbox"/> CLOSE
Legislation is passed to ban smoking in 2008	35	86.98	87.43	3,044	3,060	\$16	<input type="checkbox"/> CLOSE
Number of MDs graduating in 2009	8	84.40	85.30	675	682	\$7	<input type="checkbox"/> CLOSE
Number of MDs graduating in 2009	5	85.05	85.30	425	427	\$1	<input type="checkbox"/> CLOSE

Free Cash	10,040
Long Assets	6,964
Short Assets	3,066
Total Assets	\$20,070

